Li-S Energy

REPLACEMENT

PROSPECTUS

Li-S Energy Limited ACN 634 839 857

For an offer of 40,000,000 New Shares at an issue price of $0.85 per New Share to raise $34,000,000 (before costs) (**Offer**).

The Offer includes a Public Offer and a Priority Offer to Eligible Shareholders.

Lead Manager

BLUE OCEAN EQUITIES

Legal Advisor

MILLS OAKLEY

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. The Shares offered by this Prospectus should be considered highly speculative.

Important Notices

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the New Shares being offered in accordance with this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

This Prospectus is dated 29 July 2021 and was lodged with ASIC on that date. It replaces the original prospectus issued by the Company dated 21 July 2021 and lodged with ASIC on that date. ASIC and ASX and each of its officers take no responsibility for the contents of this Prospectus or the merits of the investment provided for in this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by Li-S Energy Limited ACN 634 839 857 (**Li-S Energy** or **Company**).

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary.

An application will be made to ASX for admission to ASX's official list and Quotation of the New Shares offered pursuant to this Prospectus within 7 days of the date of this Prospectus. If ASX does not grant Quotation of the New Shares offered pursuant to this Prospectus within three months after the date of this Prospectus (or such period as varied by ASIC), Li-S Energy will not issue any New Shares and will repay all Application Money received for New Shares within the time prescribed pursuant to the Corporations Act, without interest.

No New Shares will be issued pursuant to this Prospectus after the date that is 13 months after the date of this Prospectus.

Replacement Prospectus

This Prospectus is a replacement prospectus and makes changes to the original prospectus dated 21 July 2021. The material changes made to the original prospectus were:

- updating the date the Offer opens to 2 August 2021;
- including source references for the statements relating to BNNTTL's production capacity on pages 12 and 31;
- including additional information as to the Offer information under the Overview of the Offer on page 21;
- amending the "Use of Proceeds" table on pages 21 and 45 and including further explanatory information;
- amending the Total Remuneration Package of the CEO in Section 12.5(a) on page 119;
- including additional information as to the sourcing of sulphur on page 27;
- including additional information as to the context of know-how referred to on pages 18, 24, 38, 42 and 110;
- including additional information as to Mr McDonald's interests in PPK Group Limited on page 77;
- including additional consents to be named in Section 13.10; and
- including additional information as to the consulting fees that form part of the expenses of the Offer in Section 14.11.

Exposure period

Li-S Energy is prohibited from processing Applications received during the Exposure Period. Application Forms received prior to the expiration of the Exposure Period will, therefore, not be processed until after the Exposure Period. No preference will be conferred on any Application Forms received during the Exposure Period and all Application Forms received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of proceeds. That examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with Section 724 of the Corporations Act.

Electronic Prospectus

This Prospectus may be viewed online at Li-S Energy's website (www.lis.energy). The information on Li-S Energy's website does not form part of this Prospectus.

The Offer made pursuant to this Prospectus is only available to persons receiving this Prospectus in Australia and Institutional Investors located in Australia, Hong Kong and New Zealand. Li-S Energy is entitled to refuse any Application for New Shares if it believes that the Applicant did not receive the Prospectus in Australia and is not an Institutional Investor located Hong Kong or New Zealand.

New Shares will only be issued on receipt of an Application Form issued together with the Prospectus, whether it be a printed or an unaltered electronic copy of the Prospectus.

If you are unsure about the completeness of the Prospectus received electronically, or a print out of it, you should contact Li-S Energy.

During the Offer Period, any person located in Australia or an Institutional Investor located in Hong Kong or New Zealand may obtain a paper copy of this Prospectus free of charge by contacting the Share Registrar on 1300 288 664 (from within Australia) or +61 2 9698 5414 (from outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday.

Any references to documents included on Li-S Energy's website are provided for convenience only and none of the documents or other information located on Li-S Energy's website is incorporated by reference into, or forms part of, the terms and conditions for the Offer contained in this Prospectus.

Selling restrictions

The Offer is not being extended to any investor outside Australia other than to certain Institutional Investors located in Hong Kong or New Zealand and does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the New Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus outside Australia (including in electronic form) may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions.

This Prospectus may not be distributed to, or relied on by, any person in the United States of America. In particular, the New Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States of America and may not be offered or sold, directly or indirectly, in the United States of America.

See Section 14.10 for more detail on selling restrictions that apply to the offer and sale of New Shares in jurisdictions outside of Australia.

Financial information

Unless otherwise specified, all information contained in this Prospectus is believed to be current as at the date of this Prospectus.

This Prospectus presents financial information in Section 9 which, except as otherwise noted, has been prepared in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards (**AAS**), although it is presented in an abbreviated form insofar as it does not include all of the disclosures, statements and comparative information required by the AAS applicable to annual financial reports prepared in accordance with the Corporations Act. The Pro Forma Historical Financial Information has been prepared to illustrate the financial position of Li-S Energy as at 31 December 2020 as if the Offer had occurred as at that date, including the expenditure of proceeds associated with the Offer.

Forward looking statements

This Prospectus contains certain forward looking statements. Potential investors should note that forward looking statements are only predictions and are subject to inherent uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in those forward looking statements. Such risks, variables and other factors include matters specific to Li-S Energy, as well as economic and financial market conditions, legislative, fiscal or regulatory developments and risks associated with the business and the operation of Li-S Energy.

None of Li-S Energy, any of its officers, any person named in this Prospectus with his or her consent or any person involved in the preparation of this Prospectus makes any representation or warranty (either express or implied) or gives any assurance that the implied values, anticipated results, performance, achievements, or any other matter expressed or implied in forward looking statements contained in this Prospectus will be achieved, and you are cautioned not to place undue reliance on these statements. The forward looking statements contained in this Prospectus only reflect views held as at the date of this Prospectus.

Privacy Act

If you complete an Application Form you will be providing personal information to Li-S Energy (directly or indirectly via the Share Registrar and/or the Lead Manager). Li-S Energy and the Share Registrar collects, holds and will use that information to assess your Application, service your needs as a holder of Shares and facilitate the distribution of payments and corporate communications to you as a Shareholder. The Company's privacy policy sets out how you may access, correct and update the personal information that the Company holds about you, how you can complain about privacy related matters and how the Company responds to complaints.

The information may also be used and disclosed to persons inspecting Li-S Energy's register, bidders for your Shares in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registrar.

If you do not provide the information requested in the Application Form, your Application Form may not be accepted.

You can access, correct and update the personal information held by or on behalf of Li-S Energy or the Share Registrar by telephoning or writing to the Share Registrar as follows:

- +61 2 9698 5414; or
- GPO Box 5193, Sydney NSW 2001

No cooling off rights

Cooling off rights do not apply to an investment in New Shares offered pursuant to this Prospectus. This means that, unless you are notified by Li-S Energy to the contrary, you cannot withdraw your Application.

Miscellaneous

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person in them endorses this Prospectus or its contents or that the assets shown in them are owned by Li-S Energy. References in this Prospectus to currency are to Australian dollars unless otherwise indicated.

All data contained in charts, graphs and tables within this Prospectus is based on information available as at the date of this Prospectus unless otherwise stated.

Capitalised terms

Capitalised terms used in this Prospectus have the same meaning ascribed to them in the Glossary contained in Section 15 of this Prospectus.

Governing law

This Prospectus and any contract arising from Li-S Energy's acceptance of Applications lodged in accordance with its terms are governed by the laws applicable in the State of Queensland, Australia and each Applicant submits to the exclusive jurisdiction of the Courts of Queensland, Australia.

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Section 1

KEY DATES AND OFFER INFORMATION

1. Key Dates and Offer Information

Indicative Timetable

Prospectus lodged with ASIC	21 July 2021
Offer opens	2 August 2021
Closing Date for Applications	18 August 2021
Issue Date	24 August 2021
Holding statements dispatched to Applicants under Offer	25 August 2021
Commencement of trading on ASX	30 August 2021

This timetable is indicative only. Unless otherwise indicated, all times given are AEST. Subject to the ASX Listing Rules and the Corporations Act, the Company in conjunction with the Lead Manager reserves the right to vary these times and dates without prior notice, including to close the Offer early or to accept late Applications.

Key Offer information

Offer Price	$0.85
Gross proceeds of the Offer	$34,000,000
Total number of New Shares offered pursuant to this Prospectus	40,000,000
Total Shares on issue on Completion of the Offer	640,200,230
Market capitalisation[1]	$544,170,195.50

1. Total Shares on issue on Completion of the Offer multiplied by the Offer Price.

How to invest

Applications for New Shares can only be made by completing and lodging an Application Form. Instructions on how to apply for New Shares are set out in Section 14 and on the back of the Application Form.

Questions:

If you have any questions regarding the Offer, please contact the Share Registrar on 1300 288 664 (from within Australia) or +61 2 9698 5414 (from outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday. If you have any questions about the New Shares being offered in accordance with this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

Section 2

CHAIRMAN'S LETTER

2. Chairman's Letter

Dear investor,

On behalf of the Board of Li-S Energy, I take pleasure in presenting this Prospectus for Li-S Energy's Initial Public Offering and I invite you to become a Shareholder in the Company.

Li-S Energy, in conjunction with Deakin University (**Deakin**) has developed novel battery technology using boron nitride nanotubes (**BNNTs**) as a nano-insulator in lithium-sulphur batteries.

Lithium-sulphur batteries (also known as Li-S batteries) have the potential to provide a much greater energy storage capacity than current lithium-ion batteries. However, to date their main drawback has been that they tend to fail after relatively few charging cycles, and this has inhibited their mass adoption. By using BNNTs and other novel components in its new lithium-sulphur battery technology, Li-S Energy has substantially increased cycle life. Test batteries have now demonstrated sustained performance over 600 charge/recharge cycles whilst retaining a specific energy capacity almost three times that of a typical commercial lithium-ion battery. Testing results are set out in the Research Validation Report in Section 6.

Worldwide demand for more powerful and efficient batteries is increasing exponentially with the development of electric vehicles (**EVs**), drones and grid storage solutions, plus portable devices such as mobile phones, personal computers, medical devices, and an extensive range of tools for consumer and industrial markets.

Affordable, high-performance lithium-sulphur batteries have the potential to fundamentally drive adoption in these markets, creating EVs that drive further, drones that fly longer and mobile devices that last for days instead of hours. Li-S Energy has an enviable opportunity to contribute to the development and production of lithium-sulphur batteries to supply a multitude of industries and uses.

To advance its strategy, Li-S Energy intends to scale up its development and production team, install a pilot battery production plant and, in collaboration with product manufacturers, retrofit Li-S Energy batteries into a range of products to demonstrate clearly the performance advantages.

Li-S Energy does not currently generate any significant revenue and does not expect to do so for the near future. The Company's business model includes a plan to generate revenue by licensing intellectual property to battery manufacturers, collecting intellectual property royalties, and distributing pure BNNTs and other novel components to facilitate ongoing Li-S battery production.

Pursuant to this Prospectus, Li-S Energy is offering Eligible Investors the opportunity to subscribe for 40,000,000 New Shares, at an issue price of $0.85 per New Share to raise $34,000,000 (before costs). The Offer includes a Priority Offer for Eligible Shareholders, being existing Li-S Energy Shareholders but excluding substantial Shareholders.

This follows Li-S Energy successfully completing a $20,000,000 capital raise in April 2021.

The net proceeds from the Offer and the April 2021 capital raise will primarily be applied to funding the commercial scale-up of the new technology and continued research and development as further detailed in the budgets and programs set out in Sections 5.3, 5.4 and 5.11.

This Prospectus contains detailed information concerning the Offer, the financial information of Li-S Energy, the Research Validation Report and the material risks associated with an investment in Li-S Energy. These key risks are summarised in Section 11 of this Prospectus. Potential Applicants should consult with their professional advisers before deciding whether to apply for any New Shares pursuant to this Prospectus.

On behalf of the Board, I invite you to subscribe for New Shares in Li-S Energy and look forward to sharing an exciting and prosperous future together as a Shareholder.

Yours sincerely,

Ben Spincer
Chairman
Li-S Energy Limited

Section 3

INVESTMENT OVERVIEW

3. Investment Overview

This Section provides an overview of some of the important information regarding the Offer. It is not intended to address all of the issues that will be relevant to potential Applicants.

This Section should be read together with the balance of this Prospectus, including but not limited to the Research Validation Report in Section 6, Intellectual Property Report in Section 7, the Independent Limited Assurance Report in Section 10 and the summary of risks contained in Section 11.

3.1 Highlights of Li-S Energy Limited and its Business

Topic	Summary	For more information
Who is Li-S Energy?	Li-S Energy is the result of a joint venture between Li-S Energy's founding Shareholders, PPK Group Limited (through its nominee subsidiary, PPK Aust. Pty Ltd (**PPK Aust**)), BNNT Technology Limited (**BNNTTL**) and Deakin. Li-S Energy was registered on 12 July 2019 with the objective of utilising BNNTTL and Deakin's existing technology and research to develop a battery technology based on more advanced lithium-sulphur chemistry, where BNNTs and other nanomaterials are incorporated into battery components to: a. improve battery energy capacity when compared to current lithium-ion batteries; and b. improve cycle life when compared to conventional lithium-sulphur batteries. The resulting lithium-sulphur battery incorporating BNNTs is referred to in this Prospectus as the **Li-S Energy Battery.**	**See Section 5 for more information**
Why the Li-S Energy Battery?	Lithium-ion batteries currently dominate the rechargeable battery industry as a relatively mature and proven battery chemistry. However, lithium-ion batteries are reaching their theoretical energy capacity limits and emerging industries (including the EV industry) are driving the need for a better battery. For decades, scientists have known that lithium-sulphur battery chemistry presents many benefits over lithium-ion battery chemistry, including having more than five times the theoretical energy capacity, being lighter, safer, faster charging, and using more environmentally friendly raw materials. Despite this, lithium-sulphur batteries have yet to be mass produced as conventional lithium-sulphur batteries tend to fail after a low number of recharge cycles, making them useless for most commercial applications. The Company believes that its patent pending BNNT battery construction in its Li-S Energy Batteries addresses the key historical challenges of conventional lithium-sulphur batteries, and testing to date indicates that BNNTs substantially enhance the performance, capacity, stability and cycle life in the Li-S Energy Battery compared to an identical lithium-sulphur battery without BNNTs. These results have also been validated by TMPR Consulting, a team of leading battery experts, led by Professor Maria Forsyth. Their full report is set out in Section 6.	**See Sections 4, 5, 6 and 7 for more information**

3. Investment Overview

continued

Topic	Summary	For more information
What are BNNTs?	BNNT (boron nitride nanotube) is an advanced nano material comprised of boron and nitrogen which has a number of unique properties, including thermal conductivity and thermal resistance, flexibility and low weight, and the ability to act as a nano-insulator. Until recently, it has not been possible to manufacture or secure high purity BNNTs at a commercial scale. BNNTTL has demonstrated potential capacity to manufacture 50kg of BNNTs per year at >95% purity. Based on available global production figures, BNNTTL currently has the capacity to be the largest and lowest cost BNNT producer in the world.[1] The Company has secured a supply agreement with BNNTTL to provide commercial quantities of BNNTs as well as an exclusive distribution agreement to distribute BNNTs to the global battery industry for use in lithium-sulphur batteries. Further details on these contracts are provided in Section 12.2. As at the date of this Prospectus, BNNTTL is a substantial Shareholder in Li-S Energy, further details of which are set out in Section 14.5.	See Sections 4.1, 4.7, 12.2 and 14.5 for more information
What is the current Li-S Energy Development Program?	Li-S Energy's Development Program has four primary goals: 1. Further optimise Li-S Energy technology; 2. Produce Li-S Energy Batteries in pouch, cylinder and flexible battery formats; 3. Build pilot production line, manufacture batteries and prove their benefits in commercial products with commercial partners; and 4. Develop intellectual property on how lithium-ion battery manufacturing plants can be adapted to produce Li-S Energy Batteries. The Development Program will comprise of the following components: *Core Technology* 1. Li-S Energy Battery Optimisation 2. Li-Nanomesh Anode Protection 3. Pilot, Pouch and Cylinder Battery Production Plant 4. Retrofit Batteries to Products 5. Modelling, Simulation and In-situ Monitoring *Projects to further enhance Li-S Energy Battery Intellectual Property* 6. Flexible Form Battery 7. Solid State Battery 8. 3D Printed Battery	See Sections 5.3 and 5.4 for more information

1 Sources: QYResearch, 'Global Boron Nitride Nanotubes (BNNT) Market Insights, Forecast to 2026' (2019); Report from Dr Luhua Li of Deakin as contained in the PPK ASX Announcement, 'Major BNNT Production Capacity Milestone Achieved' (30 April 2021)

Topic	Summary	For more information
What are Li-S Energy's current Business Strategies?	Li-S Energy's current business strategies are to: 1. Engage product manufacturers in high growth industries; 2. Engage flexible form product manufacturers; 3. Engage battery manufacturers; 4. License intellectual property to manufacturers; 5. Distribute BNNTs and Li-Nanomesh Materials for battery manufacturing; 6. Research other applications of Li-Nanomesh; and 7. Evaluate and complete complementary acquisitions.	**See Section 5.9 for more information**
What intellectual property does Li-S Energy use and own?	Details of Li-S Energy's intellectual property and patent applications are set out in the Intellectual Property Report in Section 7.	**See Sections 5.5 and 7 for more information**
Why is the Offer being conducted?	The purpose of the Offer is to raise funds to advance Li-S Energy's commercial scale-up of the new technology and continued research and development as further detailed in the budgets and programs set out in Sections 5.3, 5.4 and 5.11.	**See Sections 5.3, 5.4, 5.11 and 14.3 for more information**
Who are the Directors/Senior Management?	The Directors and Senior Management of Li-S Energy are: a. Dr Ben Spincer, Non-Executive Director and Chairman b. Mr Robin Levison, Non-Executive Director c. Mr Tony McDonald, Non-Executive Director d. Ms Hedy Cray, Non-Executive Director e. Dr Lee Finniear, Chief Executive Officer f. Mr Ken Hostland, Chief Financial Officer and Joint Company Secretary* g. Dr Steve Rowlands, Chief Technology Officer h. Mr Glenn Molloy, Chief Strategic Advisor* i. Mr Andrew Cooke, Joint Company Secretary[1] * services provided under services agreements as set out under Section 12. 1 Mr Cooke's services as Joint Company Secretary are provided under a consultancy agreement between the Company and Mr Cooke's consultancy company.	**See Section 8 for more information**

3. Investment Overview

continued

3.2 Company Overview

Topic	Summary	For more information
What is the total issued capital of Li-S Energy on Completion of the Offer?	On Completion of the Offer the capital structure of Li-S Energy will be as follows: a. 640,200,230 Shares; and b. 3,160,000 Service Rights.	See Sections 14.4, 8.4(a) and 8.5(a) for more information
What will the Shareholding structure of Li-S Energy look like on Completion of the Offer?	Li-S Energy's existing Shareholders consist of investors who have participated in the establishment and promotion of Li-S Energy or in previous capital raisings undertaken by Li-S Energy, as well as some of Li-S Energy's Directors and Senior Management. As at the date of this Prospectus, approximately 4.36% of the existing Shares in Li-S Energy are held by Shareholders who received them as an in-specie dividend from PPK Group Limited in December 2020 to its Shareholders (excluding Directors and Senior Management). The ownership structure of Li-S Energy before and after Completion of the Offer (assuming no existing Shareholders participate in the Offer), is set out below:	See Section 14.4 for more information

	Shares	% Pre Offer[2]	% Post Offer Completion[2]
Board[1]	3,871,029	0.65%	0.60%
PPK Aust	290,849,069	48.46%	45.43%
Deakin	83,333,333	13.88%	13.02%
BNNTTL	30,000,000	5.00%	4.69%
Other existing Shareholders	192,146,799	32.01%	30.01%
New Shareholders under Offer	40,000,000	0%	6.25%
Total	640,200,230	100%	100%

1 These Shares may be held by associated entities of the Directors.

2 Does not include unvested Service Rights (see Section 8.4).

Topic	Summary	For more information
What interests in Li-S Energy will the Directors have?	The Directors will have a relevant interest (directly or indirectly) in the following securities of Li-S Energy following Completion of the Offer (assuming they do not participate in the Offer).	See Section 8.4 for more information

Director[1,2]	Number of Shares	Number of Service Rights (unvested)
Dr Ben Spincer	200,000	720,000
Mr Robin Levison	2,776,867	480,000
Mr Tony McDonald	866,961	480,000
Ms Hedy Cray	27,201	480,000
Total	**3,871,029**	**2,160,000**

1 Mr Glenn Molloy resigned as a director on 11 June 2021 and as at the date of this Prospectus has a relevant interest (directly or indirectly) of 6,440,790 Shares.

2 Mr Gregory Pullen resigned as a director on 18 March 2021 and as at the date of this Prospectus has nil relevant interests (direct or indirect).

The Service Rights in the table above are in lieu of the Directors' fees as follows:

Director	Remuneration per annum (including superannuation)
Dr Ben Spincer	$120,000
Mr Robin Levison	$80,000
Mr Tony McDonald	$80,000
Ms Hedy Cray	$80,000

In May 2021, Li-S Energy adopted a plan called the Li-S Energy NED Equity Plan (**NED Equity Plan**) under which the Board of the Company may invite Non-Executive Directors (or **NEDs**) to apply for Service Rights to be issued in accordance with, and subject to the terms of the rules of the Plan. Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company.

The following table indicates the amount of fees that a Non-Executive Director can sacrifice in return for a grant of Service Rights.

Financial Year (FY)	Fees Sacrifice ($)	Tranche	Number of Service Rights
Non-Executive Directors			
2021	80,000	1	160,000
2022	80,000	2	160,000
2023	80,000	3	160,000
Chairman			
2021	120,000	1	240,000
2022	120,000	2	240,000
2023	120,000	3	240,000

3. Investment Overview

continued

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td></td><td>Non-Executive Directors will sacrifice total Director fees of $80,000 for 160,000 Service Rights and the Chairman will sacrifice total Director fees of $120,000 for 240,000 Service Rights for each Financial Year. There is no amount payable other than the sacrificed fees for the Service Rights.

The number of Service Rights are calculated by dividing the amount of sacrificed fees by the Share price of $0.50 per Share being the price at which Shares were issued in the April 2021 capital raise.

The Service Rights were issued as at 1 May 2021and will vest in three equal tranches on 30 April 2022, 2023 and 2024, providing the Non-Executive Director holds the office of Non-Executive Director on those dates. Each consecutive tranche commences annually on the vesting date of the prior tranche.

The Directors believe that accepting Share Rights in lieu of cash remuneration aligns their risk/reward with that of the Shareholders.</td><td></td></tr>
<tr><td>Will any Shares be subject to restrictions on disposal?</td><td>Yes.

Approximately 81.48% of the Shares currently on issue, being approximately 76.39% of the Shares on issue on Completion of the Offer, will be subject to restrictions on transfer.

This will comprise:

a. 73.93% of the Shares on issue on Completion of the Offer being subject to a two year mandatory restriction on transfer pursuant to the ASX Listing Rules following the listing of Li-S Energy's Shares on ASX; and

b. 2.46% of the Shares on issue on Completion of the Offer will be subject to restrictions on transfer until various dates set out in Section 13.2.</td><td>See Section 13.2 for more information</td></tr>
<tr><td>Who will the substantial Shareholders be on Completion of the Offer?</td><td>Following Completion of the Offer, the following persons will have a relevant interest in 5% or more of Li-S Energy's Shares (assuming that they do not participate in the Offer) rounded to two decimal places:

<table><tr><th>Holder of Relevant Interest</th><th>Shares</th><th>%[1]</th></tr><tr><td>PPK Aust</td><td>290,849,069</td><td>45.43%</td></tr><tr><td>Deakin</td><td>83,333,333</td><td>13.02%</td></tr></table>
1 Does not include unvested Service Rights (see Section 8.4).</td><td>See Section 14.5 for more information</td></tr>
</table>

3.3 Financial overview

Topic	Summary	For more information
Key Financial Information	Historical Financial Information and Pro-forma Historical Financial Information for Li-S Energy as at 31 December 2020 adjusted for the impact of the Offer and other adjustments, is contained in Section 9	See Section 9 for more information
How does Li-S Energy generate revenue and how will it fund operations?	Li-S Energy does not currently generate any significant revenue and does not expect to do so for the near future. Accordingly, Li-S Energy expects that future funding of its research and development plans will, for the near future, be primarily sourced from traditional financing sources.	See Sections 5.8, 9.5 and 9.7 for more information
What is Li-S Energy's Dividend Policy?	The Directors currently intend to use available cash in the manner set out in Section 5.11 and do not expect to declare or pay any dividends in the foreseeable future.	See Sections 5.11, 9.6 and 13.6 for more information

3.4 Key risks

Topic	Summary	For more information
Reliance on Supply Agreement and Distribution Agreement with BNNTTL	Li-S Energy and the Li-S Energy Battery are reliant on Li-S Energy being able to secure a supply of BNNTs at its required volumes and at a commercially viable price point. Li-S Energy has a long term supply contract with BNNTTL for the supply of BNNTs, but BNNTTL's ability to manufacture BNNTs at a commercial scale is based on relatively new technologies (as detailed in Section 4.7) and there is accordingly a risk that BNNTTL may not be able to supply high purity BNNTs in the quantities required by Li-S Energy or a battery manufacturer that Li-S Energy distributes to.	See Section 11.1(a) for more information
Pilot phase research and technology and scale up	The Li-S Energy Battery technology is currently at the pilot research and development phase. Investment in the Company should be considered in light of the risks, expenses and difficulties frequently encountered by companies at this stage of development, including factors such as design and construction of efficient research, development and processing facilities within capital expenditure budgets, and the ability to scale up to commercial production.	See Section 11.1(b) for more information

3. Investment Overview

continued

Topic	Summary	For more information
Evolving technologies	The market for new and advanced rechargeable batteries based on chemistries other than lithium-ion are at an early stage of development and the extent that the Li-S Energy Battery will be able to meet customer requirements and achieve significant market acceptance is uncertain. If the Li-S Energy Battery technology is not adopted by customers, or if the Company's Li-S Energy Battery technology does not meet industry standards for power and energy storage capacity in an efficient and safe design, the Li-S Energy Battery is unlikely to gain market acceptance. With technology continuously changing, there is also a general risk that lithium-sulphur batteries could experience a fall in demand if subsequent and future technology advancements of other batteries or alternative technologies should occur. There is no guarantee that a return on investment in technology will meet expectations and Li-S Energy's technology may become obsolete or outdated through the investment of its peers in superior technology and/or product offerings. While initial tests have been positive, the use of BNNT in a battery application is not yet comprehensively tested and verified and Li-S Energy may not be able to develop a commercial lithium-sulphur battery that is more competitive to other existing batteries in use. Even if the Li-S Energy Battery design is successful, there may be a considerable period of time before the Company generates revenues and cash inflows due to a number of factors including potential customers needing to phase out existing long-term supply agreements in place with other battery suppliers.	See Section 11.1(c) for more information
Protection of intellectual property	The value of Li-S Energy's services and products is dependent on Li-S Energy's ability to effectively identify, protect, defend, and in certain circumstances keep secret, its intellectual property, including business processes and know-how in relation to the application of BNNTs and Li-Nanomesh in the construction of a battery, copyrights, patents, trade secrets and trade marks. There is a risk that Li-S Energy's intellectual property may be compromised in a number of ways, including employee misappropriation or disclosure, third party intellectual property claims or cyber-attacks. Li-S Energy may be unable to detect unauthorised use of its intellectual property rights in all instances and a breach of intellectual property may result in the need for Li-S Energy to commence legal action, such as infringement or administrative proceedings, which could be costly, time consuming and potentially difficult to enforce in certain jurisdictions.	See Section 11.1(d) for more information
Patent protection	There is a risk provisional patent applications may not proceed to granted patents or may not afford Li-S Energy adequate protection from competing products. Even if Li-S Energy succeeds in obtaining patent protection for its products, its patents could be wholly or partially invalidated following challenges by third parties.	See Section 11.1(e) for more information

Topic	Summary	For more information
Reliance on Research Framework Agreement	The development of the Li-S Energy Battery technology and the success of the Development Program is largely dependent on Li-S Energy's relationship with Deakin. Li-S Energy has agreements in place with Deakin to not only implement and progress the Development Program (see Section 12.3(b)), but also for the laboratory space on Deakin's Waurn Ponds Campus in which Li-S Energy plans to build and commission its pilot scale semi-automated battery production line (see Section 12.4). Without these agreements with Deakin, Li-S Energy would not have the resources, including research personnel and sufficient space, to progress the Development Program to reach its expected target timeframes set out in Section 5.10.	See Section 11.1(f) for more information
Reliance on key personnel	The responsibility of overseeing the day-to-day operations and the strategic management of Li-S Energy depends substantially on its Senior Management and its key personnel, particularly those highly skilled scientists and design, process and test engineers. It may be difficult to replace them if any cease engagement with the Company.	See Section 11.1(g) for more information
Future funding requirements	The development of Li-S Energy's projects and business operations is expected to be primarily sourced from traditional financing sources, which could dilute existing Shareholders (including holders of New Shares). There is no certainty that future funding will be available to Li-S Energy or that it will be available on favourable terms. This may require that Li-S Energy to reduce the scope of its operations or seek alternate funding sources.	See Section 11.1(h) for more information
Information technology/ privacy concerns	Li-S Energy relies heavily on the computer systems of third party service providers to store and manage private and confidential information (including intellectual property). A malicious attack on Li-S Energy's systems, processes or people from external or internal sources could put the integrity and privacy of Li-S Energy's data at risk.	See Section 11.1(i) for more information
General operating risks	Li-S Energy was only recently incorporated (12 July 2019) and has limited operating history and limited historical financial performance. The proposed activities, costs and use of funds described in this Prospectus are based on certain assumptions with respect to the method and timing of research, development and other technical tests. No assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect Li-S Energy's viability. No assurance can be given that Li-S Energy will achieve commercial viability through the successful research, development and commercialisation of the Development Program. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.	See Section 11.1(j) for more information
Environmental	While the Company does not currently manufacture batteries, the Company's Development Program contemplates building and commissioning a pilot plant battery production facility. There are various environmental laws and regulations in the jurisdiction in which Li-S Energy will operate including those relating to handling and disposal of solid and hazardous wastes, recycling of batteries, and the remediation of contamination associated with the use and disposal of hazardous substances. A release of such substances due to an accident or intentional act could result in substantial liability owing to government authorities or to third parties. Transportation of certain batteries is regulated and compliance with these regulations increases the cost of producing and delivering the Company's products.	See Section 11.1(k) for more information

3. Investment Overview

continued

Topic	Summary	For more information
Supply chain risks	Supply chain raw materials used in the Company's research and development such as processed lithium metal are sourced from overseas and may be subject to limitations in the quantity available or quality that can be produced. BNNTs are sourced locally from BNNTTL. However, this is currently the Company's sole supplier so there is risk that if BNNTTL is unable to satisfy the Company's requirements, it will be difficult and expensive to acquire BNNTs from other sources. Several other materials for battery construction are sourced from overseas and may be subject to delivery delays if supply chains are impacted by COVID-19 or other delays. Equipment for the Company's pilot production line, expansion of the research and development labs and specialist equipment for the 3D printed battery project will largely be sourced from overseas to order. Delays to the manufacture of the equipment, or delays to availability of components (e.g. silicon chips) that are needed to produce the equipment may cause delays to delivery and to the Company's project outcomes.	See Section 11.1(l) for more information
COVID-19	Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic and its potentially lasting impacts on consumer behaviour (attitudes, preferences and spending) and employees, it is not currently possible to assess the full impact of the COVID-19 pandemic on Li-S Energy's projects, operations, finances and prospects. The Company's main operations are at Deakin's campus located at Geelong, Victoria. To slow the spread of COVID-19 in Victoria, the Victorian government has imposed restrictions from time-to-time. As a result, limits have been placed on the number of staff and contractors permitted in the workspace at one time. It is unknown whether stricter restrictions will be imposed and what the impact of these would be on the operations of the Company. There is continued uncertainty as to the ongoing and future response of governments and authorities globally, and a further Australian economic downturn is possible. Further, any government or industry measures may materially adversely affect the Company's operations and are likely beyond the Company's control.	See Section 11.2(a) for more information
General Risks	Other general risks are set out in detail in Section 11.2.	See Section 11.2 for more information

3.5 Overview of the Offer

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What is the Offer?</td><td>The Offer is an initial public offer of 40,000,000 New Shares at an issue price of $0.85 per New Share to raise $34,000,000 (before costs). The Offer includes a Priority Offer under which up to 8,000,000 New Shares will be available to Eligible Shareholders.</td><td>See Section 14.1 for more information</td></tr>
<tr><td>What will the proceeds of the Offer be used for?</td><td>The table below sets out the proposed use of proceeds from the issue of New Shares pursuant to the Offer.
<table>
<tr><th>Use of Proceeds</th><th>($)</th><th>%</th></tr>
<tr><td>Total Offer proceeds</td><td>$34,000,000</td><td>100%</td></tr>
<tr><td>Project Expenditure</td><td>$29,112,623</td><td>85.7%</td></tr>
<tr><td>Costs of the Offer (see 14.11)</td><td>$3,581,968</td><td>10.5%</td></tr>
<tr><td>Working capital</td><td>$1,305,409</td><td>3.8%</td></tr>
<tr><td>Total proceeds allocated</td><td>$34,000,000</td><td>100%</td></tr>
</table>
The available funds from the April 2021 capital raise of $18,978,750 will be used to fund corporate overheads of $3,818,101 and provide an additional $15,160,649 of Working Capital. The total Working Capital of $16,466,058 will be used to fund potential expansion and/or acceleration of existing projects, commencement of new development projects and the pursuit and engagement in revenue generating opportunities through OEM collaboration and other partnerships as further detailed in Section 5.10.

The Directors consider that, on Completion of the Offer, Li-S Energy has enough funds to carry out its stated objectives and confirms that it is not aware of any legal, regulatory, or contractual impediments to Li-S Energy carrying out activities as contemplated by this Prospectus.</td><td>See Sections 5.11, 14.3 and 9 for more information</td></tr>
<tr><td>Will the New Shares be listed on the ASX?</td><td>An application will be made to ASX for admission to ASX's official list and Quotation of the New Shares offered pursuant to this Prospectus within 7 days of the date of this Prospectus. If ASX does not grant Quotation of the New Shares offered pursuant to this Prospectus within three months after the date of this Prospectus (or such period as varied by ASIC), Li-S Energy will not issue any New Shares and will repay all Application Money received for New Shares within the time prescribed pursuant to the Corporations Act, without interest.</td><td>See Section 14.15 for more information</td></tr>
<tr><td>Is the Offer underwritten?</td><td>No, the Offer is not underwritten. If the Offer is not fully subscribed, the Offer will not proceed and investors' Application Monies will be returned (without interest).</td><td>See Section 14 for more information</td></tr>
<tr><td>What is the minimum and maximum Application size under the Offer?</td><td>The minimum Application amount is 3,000 New Shares, being an amount of at least $2,550 worth of New Shares, and Applications must then be for multiples of 500 New Shares, with no maximum amount that may be applied for under the Offer.</td><td>See Section 14 for more information</td></tr>
<tr><td>How is the Offer Structured?</td><td>The Offer comprises:
a. the Priority Offer, which is open to Eligible Shareholders;
b. the General Offer, which is open to persons located in Australia;
c. the Broker Firm Offer, which is open to persons located in Australia that are retail clients of Brokers who are located in Australia and have received a firm allocation from their Broker; and
d. the Institutional Offer, which consists of an invitation to bid for New Shares made to Institutional Investors in Australia, Hong Kong and New Zealand.</td><td>See Section 14 for more information</td></tr>
</table>

3. Investment Overview

continued

Topic	Summary	For more information
How can I apply?	If you are an Eligible Shareholder, you may apply for New Shares under the Priority Offer by completing a valid Priority Offer Application Form (attached to or accompanying this Prospectus) and lodging it in accordance with the instructions contained within. If you are an Eligible Investor, you may apply for New Shares under the General Offer or Broker Firm Offer by completing a valid Offer Application Form (attached to or accompanying this Prospectus) and lodging it in accordance with the instructions contained within. Application procedures for Institutional Investors have been, or will be, advised to the Institutional Investors by the Lead Manager. To the extent permitted by law, an Application made under the Offer is irrevocable.	See Sections 14.6, 14.7, 14.8 for more information
When will I receive confirmation that my Application has been successful?	Initial holding statements and confirmation statements are expected to be dispatched to successful Applicants on or before 25 August 2021. If you sell New Shares before receiving an initial holding statement or confirmation statement, you do so at your own risk, even if you have obtained details of your holding from your Broker.	See Section 14.17 for more information
How can I obtain further information?	If you have any questions regarding the Offer, please contact the Share Registrar on 1300 288 664 (from within Australia) or +61 2 9698 5414 (from outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday.	See Section 14.18 for more information

Section 4

A NEW APPROACH TO BATTERIES

4. A New Approach to Batteries

4.1 The Li-S Energy Battery

The rechargeable battery market is growing rapidly and forecast to continue growing strongly over the foreseeable future. The demand from EVs alone is forecast to grow more than five times by 2025, and more than 50 times by 2040. New battery technologies are required to address the inherent limitations with lithium-ion batteries (also known as Li-ion batteries) which currently cannot be significantly improved due to their fundamental chemistry (see Section 4.6 for more information).

In short, the world needs a better battery. To meet market demand, EVs need longer range, drones need longer flight times, and many new technologies need longer battery life at lower cost to become commercially viable.

Li-S Energy is undertaking research and development on a new generation of high-performance batteries using lithium-sulphur chemistry instead of lithium-ion. In early 2020, the Company entered an agreement with Deakin to develop this technology.

For decades, scientists have known that using lithium and sulphur electrodes in a battery presented one of the best opportunities to create a high-performance battery. At 2,567Wh/kg, the theoretical energy density of a lithium-sulphur battery is in the order of five times that of a standard lithium-ion battery while they are also lighter, safer, faster charging, and using more environmentally friendly raw materials.

However, lithium-sulphur batteries have yet to be mass produced. Historically, the challenge in developing lithium-sulphur batteries has been effectively optimising and stabilising the battery components during charge and discharge cycling. Lithium-sulphur batteries tended to fail after a low number of recharge cycles, making them of little use for most commercial applications.

Li-S Energy's research and development has shown that integrating BNNTs into lithium-sulphur battery components and architecture is an effective method of stabilising the battery components during charge and discharge, creating a lithium-sulphur battery cell with a cycle life approaching that of everyday consumer grade lithium-ion batteries. This offers the potential for a lithium-sulphur battery to finally be commercialised and mass produced.

BNNT is an advanced nano material which has a number of unique properties including being able to withstand temperatures over 900°C in untreated air without degradation and being seven times more thermally conductive than copper. Historically, BNNTs have been very difficult to make in high purities and high volume. Due to both cost and supply, BNNTs have traditionally been overlooked in new product development.

The barriers of BNNT price, purity and volume availability are now coming down. In 2020, BNNTTL successfully commissioned a BNNT production facility utilising Deakin's patented BNNT manufacturing technology and know-how in relation to the manufacture of BNNTs on a commercial basis. BNNTTL has a 20 year worldwide exclusive right to use Deakin's intellectual property and now has the capability of producing and supplying reliable, large quantities of high purity BNNTs.

Li-S Energy has a supply agreement and distribution agreement with BNNTTL for the use of BNNTs in battery technology with exclusive distribution rights for use in lithium-sulphur batteries, as further detailed in Section 12.2. As at the date of this Prospectus, BNNTTL is a substantial Shareholder in Li-S Energy, further details of which are set out in Section 14.5.

With high quality BNNTs now available in commercial quantities, Li-S Energy and Deakin have joined together to develop the potential of the lithium-sulphur battery using BNNTs (**Li-S Energy Battery**). The Company has established a functional battery facility and laboratory in Geelong, Australia to focus on developing prototype Li-S Energy Batteries for testing.

Current test results have proven that the Li-S Energy Battery cell with BNNTs performs substantially better in terms of cycling stability and energy density compared to an identical cell without BNNTs. These results have been verified by TMPR Consulting Pty Ltd (**TMPR Consulting**), a team of leading battery experts including Professor Maria Forsyth, details of which are set out in Sections 5.2 and 6.

Li-S Energy has also applied for patent protection on its porous nano-matrix composite, "Li-Nanomesh". Initial research has indicated that Li-Nanomesh can protect lithium metal anodes from degradation and dendrite formation. Although it is being developed as part of the Li-S Energy Battery research, it has far broader potential to protect a range of metal battery anodes in use today, including lithium, sodium, potassium and aluminium.

For further detailed information on the Company's Li-S Energy Battery technology and operations, see Section 5.

4.2 New Technology is Required to Meet Expected Demand, Drive Mass Adoption and Innovation

Current lithium-ion battery technologies using carbon or carbon/silicon anodes and metal oxide cathodes are reaching their theoretical energy capacity limits and currently cannot be made significantly more efficient or safer. To enable the mass electrification of the vehicle market and other industries there needs to be a fundamental shift and breakthrough in battery technologies.

The Company believes that there are five key requirements for new battery technologies which will drive broad adoption whilst also enabling innovation to grow smaller energy demand sources or establish new energy demand sources. These key requirements are:

- **Higher Battery Capacity and Lighter Weight:** Higher energy density batteries will allow batteries to increase their energy without increasing size and weight. This will allow EVs to drive further, drones to fly longer, and other battery powered devices to operate for a longer period without recharging.
- **Faster Charging Capability:** Fast charging is essential to drive mass adoption of EVs, drones and other products currently powered by fossil fuels. Sitting for an hour or more at a charging station during a journey is simply not practical or desirable for most drivers. Lithium-ion battery chemistry is inherently slow charging. If a lithium-ion battery is configured for faster charging, it sacrifices energy capacity so it has to be charged more often.
- **Enhanced Safety:** Batteries need to be safer to avoid catastrophic fire events. Lithium-ion batteries are flammable and have a tendency to overheat. In some cases this can lead to thermal runaway and combustion.
- **Lower Cost:** Lower cost batteries should lead to improved value propositions for end users when comparing electric options to alternatives, thus driving adoption. Similarly, lower cost batteries will enable innovation in areas where higher battery costs were cost prohibitive. New battery technologies need to focus on producing higher capacity batteries at a lower cost per KWh to drive mass adoption.
- **Socially Responsible, Cleaner and Greener:** There are growing concerns surrounding the recycling of lithium-ion batteries given the various heavy metals within the battery componentry. Also, most of the global cobalt supply, (a key lithium-ion battery component) is mined in the Democratic Republic of the Congo. New battery technologies that have an improved environmental footprint and are more socially responsible are important factors in the context of corporate social responsibility.

Given the expected future demand, the search for new battery technology has gained pace and lithium-sulphur batteries are emerging as a potential new battery technology that can address the complex interlinkages of the above requirements for mass adoption. Historically, lithium-sulphur batteries have faced a number of technological challenges which the Company believes it is addressing by utilising BNNTs and other nanotechnology.

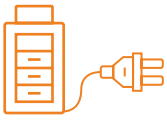
4.3 Key Comparative Advantages of Conventional Lithium-Sulphur over Lithium-Ion

The following table highlights the key benefits of conventional lithium-sulphur batteries over current lithium-ion batteries used in everything from EVs to laptops.

Lithium-ion	Lithium-sulphur Key Advantages	Lithium-sulphur
Conventional lithium-ion batteries are reaching their theoretical maximum gravimetric energy density of just 387Wh/kg. A major EV battery supplier in the market has reported that their best batteries currently deliver 260Wh/kg, with a forecasted improvement of just 20% over the next 5 years.	**Greater Energy Capacity**	Lithium-sulphur batteries have a theoretical gravimetric energy density of 2,567 Wh/kg - in the order of 5 times that of lithium-ion batteries. A battery with a higher gravimetric energy density will last longer before needing to be recharged, which should enable EVs to travel further and drones to fly for longer between recharges.

4. A New Approach to Batteries

continued

Lithium-ion	Lithium-sulphur Key Advantages	Lithium-sulphur
Lithium-ion batteries rely on heavy metals such as cobalt, manganese and nickel in the cathode. As a result, lithium-ion batteries can be up to 3 times heavier than equivalent energy lithium-sulphur batteries.	**Lighter Weight** 	The lithium, sulphur and carbon used in lithium-sulphur batteries are much lighter than the heavy metal oxides used in lithium-ion batteries. The greater gravimetric energy density of lithium-sulphur batteries compared to lithium-ion batteries facilitates a lighter battery for the same energy stored. Lighter batteries are a significant advantage for applications such as wearable devices, EVs, medical devices, drones and aircraft.
Lithium-ion batteries require a range of heavy metal oxides for the cathode that include cobalt, nickel and manganese. These heavy metal oxides are expensive, representing up to 34% of the total battery cost with volatile market pricing. For example, 70% of the global supply of cobalt is sourced from the Democratic Republic of the Congo. This creates an ongoing supply risk and potential cost risk.	**Cost per Wh** 	Sulphur is an abundant element in the Earth's crust and is often created as a discarded by-product of other industrial processes. It costs less than 1% the cost of lithium cobalt oxide (the material predominantly used in the cathodes of lithium-ion batteries). The low mass of lithium metal needed for a lithium-sulphur battery anode also keeps production costs down. These lower component costs, when compared to lithium-ion, assist with mitigating the cost of BNNTs used to provide the improved cycling stability of Li-S Energy Battery cells.
Charge rate is governed by charge rate capacity. Lithium-ion batteries have a lower charge rate capacity, which means fast charging causes rapid heating and cell degradation. This limits the safe charging rate, creating an issue for all applications that require rapid charging, such as for drones and EVs.	**Faster Charging** 	Lithium-sulphur batteries have a higher charge rate capacity and can be recharged faster due to their chemical design. The higher energy density also delivers more energy per charge/discharge cycle, leading to fewer charges being required.
Lithium-ion batteries have been cited in a number of catastrophic failures, including in mobile phones that have caught fire on a plane, exploded in a phone user's pocket, and in EVs that have caught fire causing death. Commercial lithium-ion batteries can be prone to "thermal runaway" resulting in these catastrophic failures and fires.	**Enhanced Safety** 	According to the Faraday Institution: *"Lithium-sulfur cells offer significant safety benefits over other battery types due to their operating mechanism. The 'conversion reaction', which forms new materials during charge and discharge, eliminates the need to host Li-ions in materials, and reduces the risk of catastrophic failure of batteries. Alongside this, the highly reactive Li anode is passivated with sulfide materials during operation, which further reduces the risk of a dangerous failure. While thermal runaway remains a possibility in Li-S cells, research has shown that the magnitude of this failure is significantly lower than Li-ion cells."* (sic)[1]

1. https://www.faraday.ac.uk/lis-advantages/

Lithium-ion	Lithium-sulphur Key Advantages	Lithium-sulphur
The mining of heavy metals used for lithium-ion batteries causes significant environmental and ecological damage. Cobalt, in particular, is mostly mined in the Democratic Republic of the Congo in central Africa. Discarded lithium-ion batteries can leach heavy metals into landfills and water sources.	**Socially Responsible, Cleaner and Greener** 	Lithium-sulphur batteries do not use heavy metals. Most lithium metal is produced from ore and brine reservoirs. Sulphur is naturally occurring and is available worldwide at low cost and with less environmental impact. In addition to mined sulphur deposits, sulphur is a waste product of a number of industrial processes, including processing and refining natural gas and petroleum. In comparison to sourcing cobalt, a greater proportion of the worldwide supply of sulphur is able to be sourced in a more socially responsible manner. While there can be environmental consequences of any form of metal ore mining process, discarded lithium-sulphur batteries do not leach heavy metals into the environment.

4.4 Key Challenges That Have Prevented Lithium-sulphur Battery Adoption

Lithium-sulphur batteries are not currently mass produced despite their many advantages outlined in Section 4.3. Historically there have been fundamental issues which have been a barrier to the commercialisation of lithium-sulphur batteries. These issues are summarised in the table below. The Company believes that it has addressed the key historical challenges of lithium-sulphur batteries using its patent pending BNNT battery construction in its Li-S Energy Batteries.

Further information on the research and development of Li-S Energy Batteries is set out in Section 5.

Key Challenges of Conventional Lithium-sulphur Technology and Li-S Energy's BNNT Solution		
Problem - Standard Lithium-sulphur	**Key Issue**	**Solution - Lithium-sulphur with BNNT (Li-S Energy Battery)**
During operation, lithium ions combine with sulphur to create different lithium polysulfide compounds in the cathode. Some of these polysulfides are soluble in the battery electrolyte and can deposit on the anode. This results in permanent loss of active sulphur from the cathode. Over relatively few charge cycles, the active sulphur loss causes the battery capacity to deteriorate.	**Polysulfide "Shuttle Effect"** 	The BNNTs within the battery construction act to allow lithium ions to flow through, while reducing the movement of lithium polysulfides. This assists sulphur retention as active material in the cathode, helping to maintain battery capacity during charge and discharge.
During battery cycling, lithium ions return to the lithium metal anode. On arrival they can deposit irregularly, causing lithium "Spikes" or "Dendrites" to grow on the anode surface. These can damage the insulating separator, causing short circuits and failure.	**Lithium Dendrite Formation** 	Li-S Energy has developed its unique Li-Nanomesh for the anode which, when placed into the battery construction, creates a more uniform ion influx across the anode surface, impeding dendrite formation in preliminary experiments. In this way Li-Nanomesh assists to maintain specific capacity and reduce risk of battery failure over a much longer cycle life.

4. A New Approach to Batteries

continued

Key Challenges of Conventional Lithium-sulphur Technology and Li-S Energy's BNNT Solution		
Problem - Standard Lithium-sulphur	**Key Issue**	**Solution - Lithium-sulphur with BNNT (Li-S Energy Battery)**
During operation, lithium ions move between the lithium anode to the sulphur cathode. The presence of lithium within the sulphur cathode structure causes it to expand dramatically, which can damage the battery's structural integrity causing loss of capacity and failure.	**Cathode Expansion and Failure** 	BNNT assists by providing additional structural support to the cathode. This helps mitigate the effects of cathode expansion and contraction, reducing risk of failure due to mechanical stress.
Lithium-ion and conventional lithium-sulphur batteries can develop concentrated heat spots during charge and discharge. This causes increased mechanical and chemical stress, limiting the speed of safe charging, and increasing the risk of failure due to excessive localised heating.	**Heat During Charging** 	BNNT conducts heat far more efficiently than copper. While yet to be measured in-situ, the BNNT in the battery construction may assist to more evenly spread generated heat, potentially reducing concentrated hot spots and the associated mechanical and chemical stress. This in turn may help to further increase the speed of safe charging and may reduce the risk of failure.

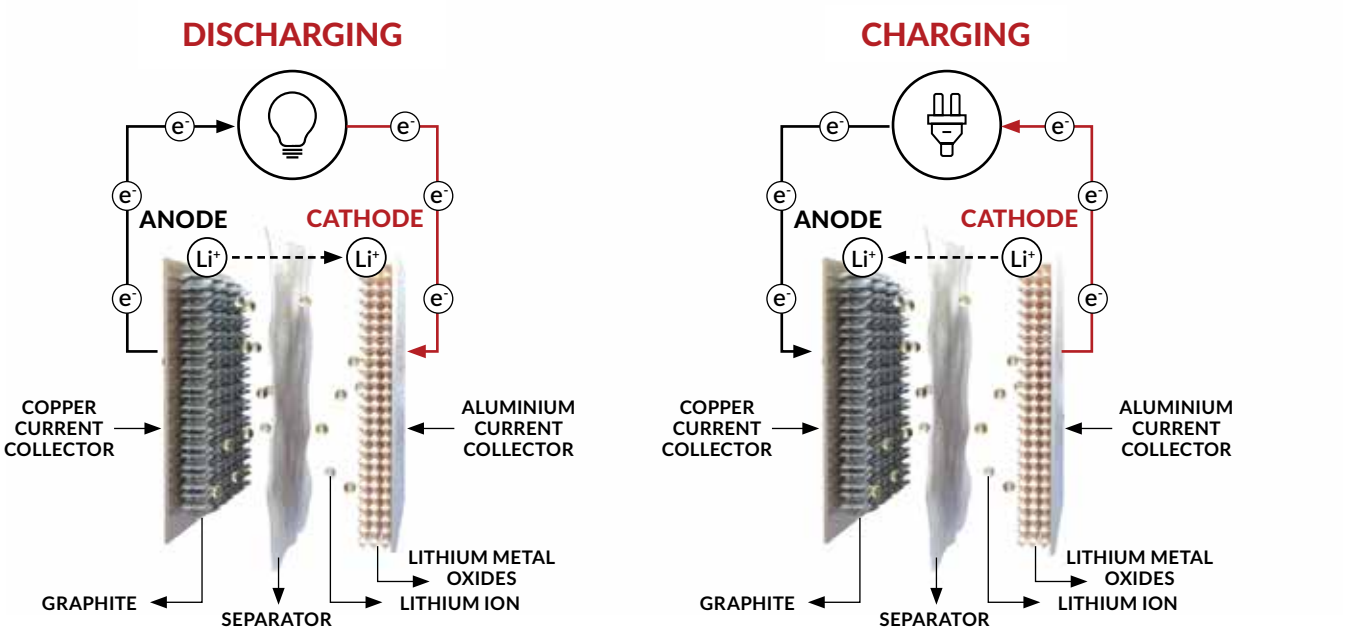
4.5 Background – How a Battery Works

In simple terms, a battery consists of three active components, an anode, a cathode and an electrolyte that sits between them.

In the most basic sense, a battery is a chemical machine which separates atoms into electrons and ions. It pushes the electrons out through the device circuit, powering it, while the ions travel internally from the anode to the cathode, where they are re-united with their lost electrons arriving from the device. When the chemical processes that drive this flow are exhausted, the battery is depleted.

If the chemical reaction is reversible, the battery can then be recharged by applying an electric current in the opposite direction. This forces electrons back into the anode and the positive ions to leave the cathode and move back to the anode, reversing the chemical reaction and recharging the battery. This process is illustrated in **Figure 1** below.

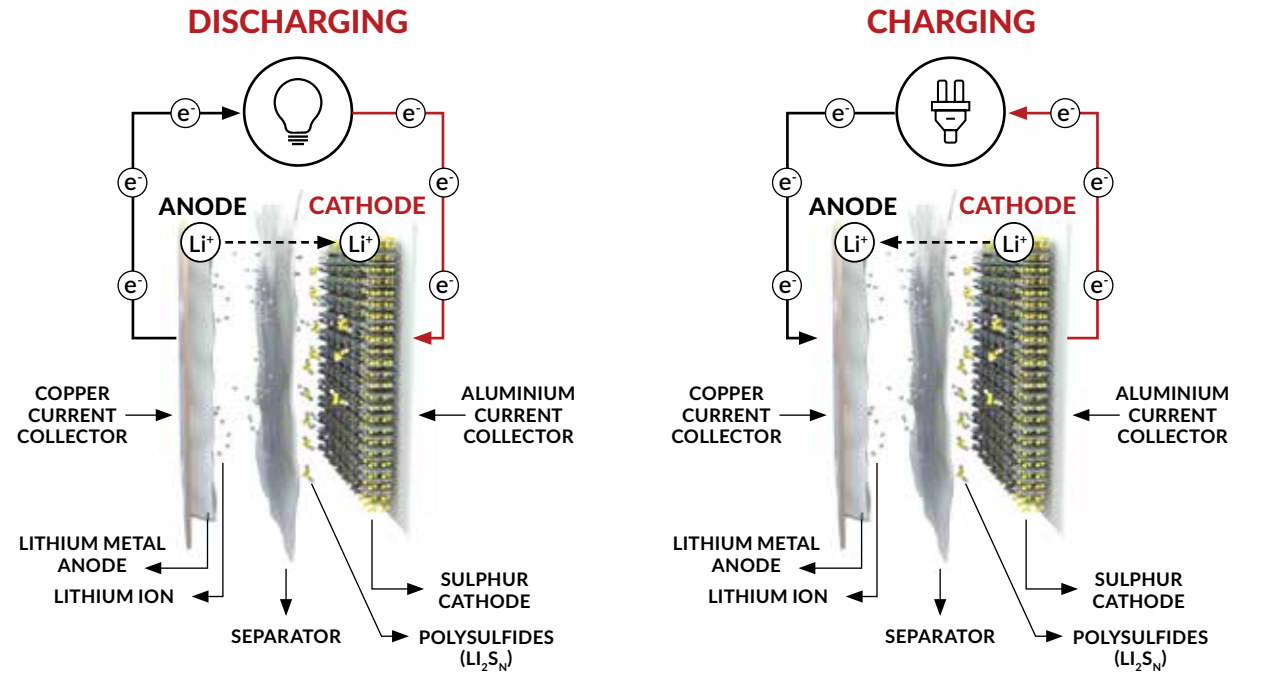
Figure 1: Standard Lithium-ion Battery Componentry and Function



In a lithium-ion battery the anode is usually made of carbon (graphite), and the cathode is a heavy metal compound such as lithium cobalt oxide. When a lithium-ion battery is charged, the applied charging current forces the lithium cobalt oxide in the cathode to release positively charged lithium ions. The lithium ions travel through the electrolyte to the anode where they insert (intercalate) into the anode's carbon layers.

During discharge the reverse happens. The anode releases its lithium ions which travel back through the electrolyte to the cathode. At the same time electrons are pushed out from the anode and travel through the device circuits (powering the device) before arriving back at the cathode.

Figure 2: Standard Lithium-sulphur Battery Componentry and Function



In a lithium-sulphur battery shown in **Figure 2** above, the anode consists of pure lithium metal, and the cathode consists of sulphur mixed with carbon.

During discharge, the lithium metal anode dissolves and releases lithium ions, which travel to the cathode where they combine with sulphur to create a number of lithium polysulphides in a series of progressive chemical reactions, at each stage absorbing more lithium ions. At the same time the reaction causes the anode to push electrons out which flow through the circuit powering the connected device.

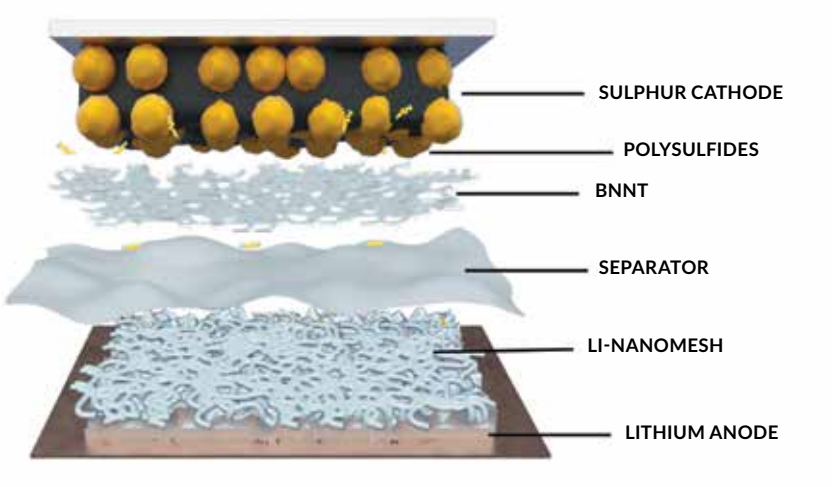
During charging, the charging current forces the cathode to release its lithium ions by dissociating the lithium polysulphides, to form lithium ions and sulphur. The ions travel back to the anode, combining with electrons from the charger current to form pure lithium metal, which then deposits back onto the lithium anode.

To achieve the increased cycle life performance of the new Li-S Energy Battery, BNNT is added to the cathode to help stabilise and protect it and Li-Nanomesh is added to the anode to reduce dendrite formation. The structure of the Li-S Energy Battery with BNNT and Li-Nanomesh is shown in **Figure 3** below.

4. A New Approach to Batteries

continued

Figure 3: Li-S Energy Battery Componentry with BNNT and Li-Nanomesh



4.6 Battery Chemistry and the Impact on Battery Capacity

Lithium-ion batteries have undergone intensive development over the last 30 years. However, as previously stated they are now reaching the limits of their theoretical energy capacity. This is due to the fundamental physics governing the maximum energy capacities of the active materials in their construction.

Energy capacity (or gravimetric energy density), is measured in watt-hours per kilogram of the battery weight (Wh/kg).

There are three fundamental reasons why a lithium-sulphur battery has in the region of five times the maximum theoretical energy capacity of a lithium-ion battery:

1. Sulphur and lithium are substantially lighter elements than the metal oxides used in lithium-ion batteries. Comparing molecular weights (g/mol), lithium metal is 7 and sulphur is 32, whereas lithium nickel cobalt manganese oxide ($LiNiMnCoO_2$) used in the NMC lithium-ion cathode is 211.
2. In a lithium-sulphur cathode each sulphur atom can bond with two lithium ions, whereas in lithium-ion technologies the cathode oxide molecules can each only hold one lithium ion. Energy capacity is directly proportional to the number of lithium ions that can be held in the cathode.
3. The theoretical specific energy capacity of the lithium metal anode in a lithium-sulphur battery is 10 times that of the graphite anode in a lithium-ion battery.

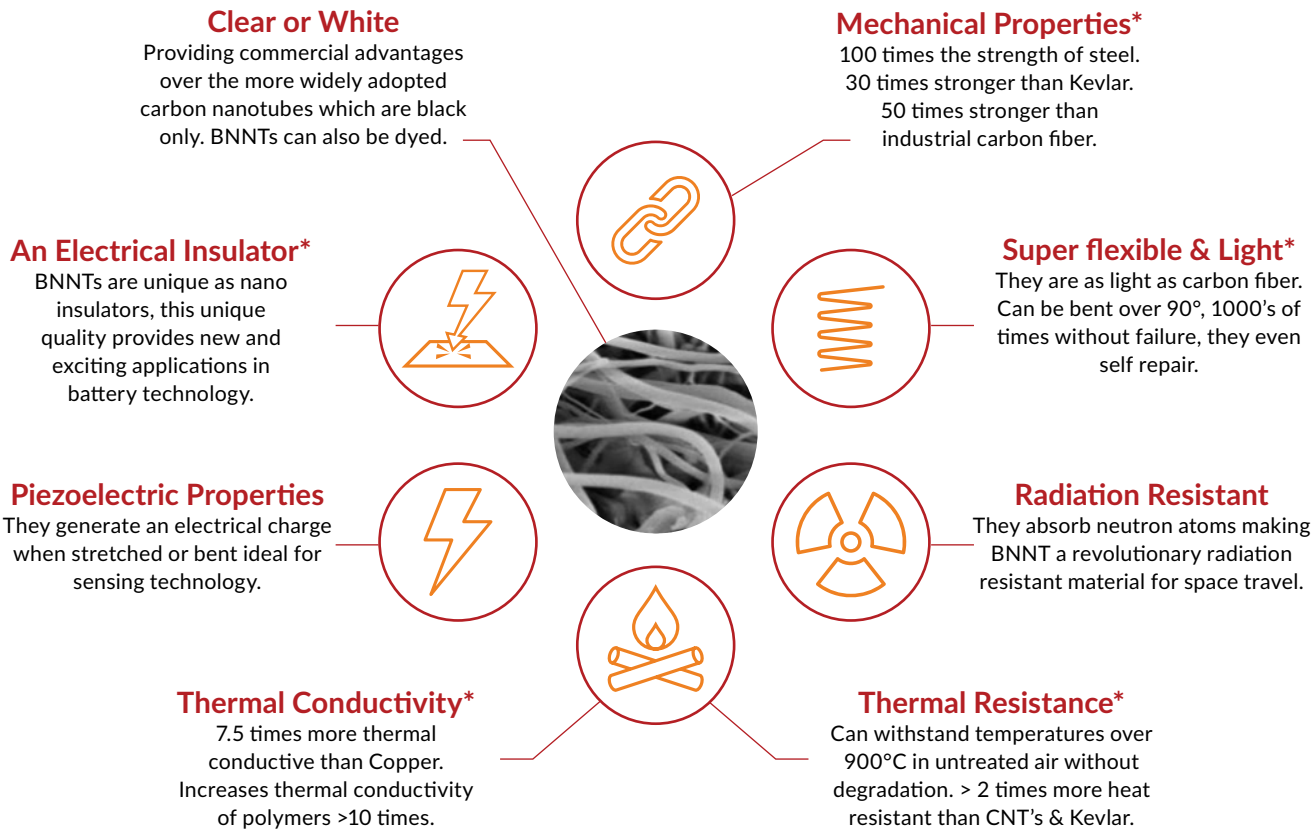
By combining lighter active components with increased energy capacity for both the anode and cathode, the lithium-sulphur battery has a theoretical maximum energy capacity of 2,567 Wh/kg compared to lithium-ion at 387 Wh/kg.

4.7 Background on BNNT – A Game Changing Nanomaterial

BNNT is an advanced nanomaterial, which is solving many technological challenges (as noted in **Figure 4**) and has been presented by NASA as a material that could help get humans to Mars.

BNNT has certain properties, many of which are critical to the performance of the Li-S Energy Battery, as highlighted in **Figure 4** below.

Figure 4: The Unique Properties of BNNT



* Attributable to Li-S Energy Batteries.

BNNT was first discovered in 1995 but until recently, it has not been possible to manufacture or secure high purity BNNTs at a commercial scale. In essence, BNNT is composed of boron and nitrogen, boron being a mineral which is mined in 10 countries in the world, and nitrogen, a gas of ready supply. There are several techniques to producing BNNT, many of which are complex and expensive, thus both supply and cost have been prohibitive factors in the utilisation of BNNTs for commercial purposes.

BNNTTL, a joint venture between PPK Group Limited and Deakin, both of which are significant Shareholders in Li-S Energy,[1] has a patented scalable manufacturing process that enables BNNT to be produced at commercial quantities. Based on available global production figures, BNNTTL currently has the capacity to be the largest and lowest cost BNNT producer in the world.[2] This supply of high purity BNNTs is key to the Company's lithium-sulphur battery strategy.

BNNTTL has been able to produce 1kg of BNNTs over a 5-day period from a single manufacturing module, which demonstrates BNNTTL's potential capacity to manufacture 50kg of BNNTs per year at >95% purity from a single module.

1 Or in the case of PPK Group Limited, a related party of a significant Shareholder, PPK Aust.

2 Sources: QYResearach, 'Global Boron Nitride Nanotubes (BNNT) Market Insights, Forecast to 2026' (2019); Report from Dr Luhua Li of Deakin as contained in the PPK ASX Announcement, 'Major BNNT Production Capacity Milestone Achieved' (30 April 2021).

4. A New Approach to Batteries

continued

The Company has secured a supply agreement with BNNTTL to provide commercial quantities of BNNTs as well as an exclusive distribution agreement to distribute BNNTs for use in lithium-sulphur batteries, to the global battery industry. Further details on these contracts are provided in Section 12.2. As at the date of this Prospectus, BNNTTL is a substantial Shareholder in Li-S Energy, further details of which are set out in Section 14.5.

4.8 Battery Industry Overview

The global rechargeable battery industry is attempting to scale rapidly to accommodate the growth in demand from manufacturers of EVs and e-mobility, grid storage, consumer portable devices, aviation, defence and public safety.

Lithium-ion battery chemistry currently dominates the rechargeable battery industry as it is relatively mature and proven, with large manufacturing facilities currently in place.

However emerging industries are demanding higher energy capacity, lower weight, faster charging, safer performance and lower cost batteries that commercial lithium-ion chemistries have not to date delivered.

In particular, analysts have identified that in the rapidly emerging EV industry, current battery cost (at up to 30% of total vehicle cost), limited range and slow charging are key factors limiting EV adoption around the world.

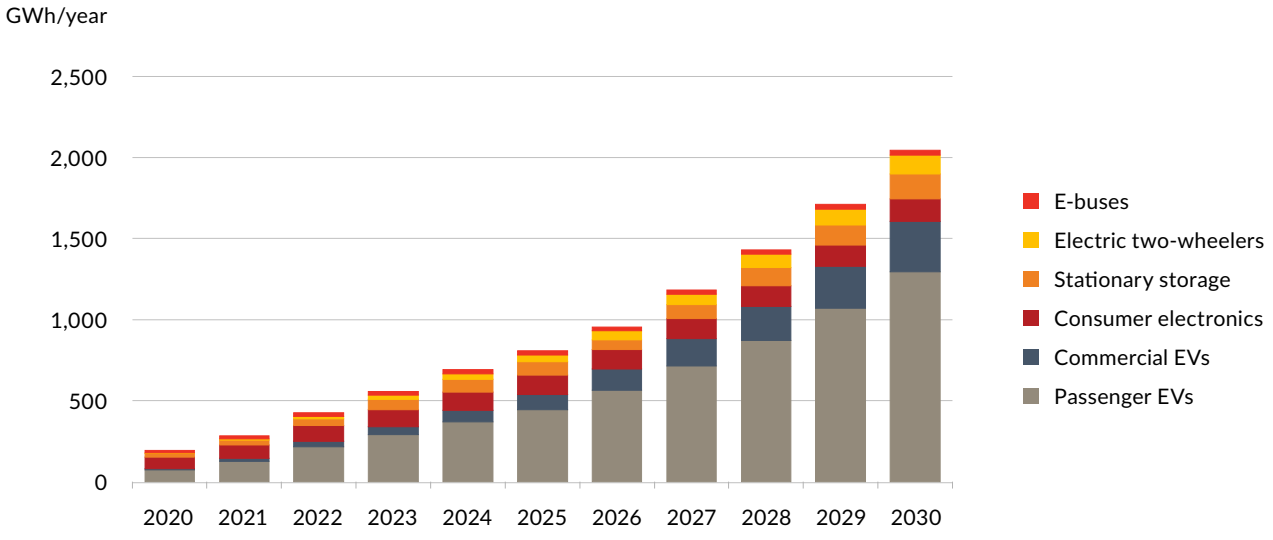
4.9 Market Size

Lithium-ion batteries dominate the market. The global lithium-ion battery market is currently valued at US$35.3 Billion, and by 2025 is expected to double to US$71 Billion.

According to Bloomberg Finance's Electric Vehicle Outlook 2020, significant demand for lithium-ion batteries is being driven by the global shift toward EVs whereby demand is forecast to grow from 101 GWh/year in 2020 to 1,753 GWh/year in 2030. The passenger EV segment is expected to grow from 71 GWh/year in 2020 to 1,295 GWh/year in 2030 where it is expected to account for 63.3% of total lithium-ion demand in 2030. Commercial EVs are expected to account for 15.3% of total lithium-ion demand in 2030. Further details on the expected demand from various segments are provided in **Figure 5** below.

Improving the specific energy capacity of batteries and reducing their associated cost will be critical to delivering against this dramatic forecast increase in demand.

Figure 5: Lithium-ion battery demand outlook



Source of data: 'Electric Vehicle Outlook 2020', BloombergNEF (Bloomberg Finance L.P.)

4.10 Key Demand Drivers & Customer Groups

Key market sectors driving battery demand include:

EVs and E-Mobility

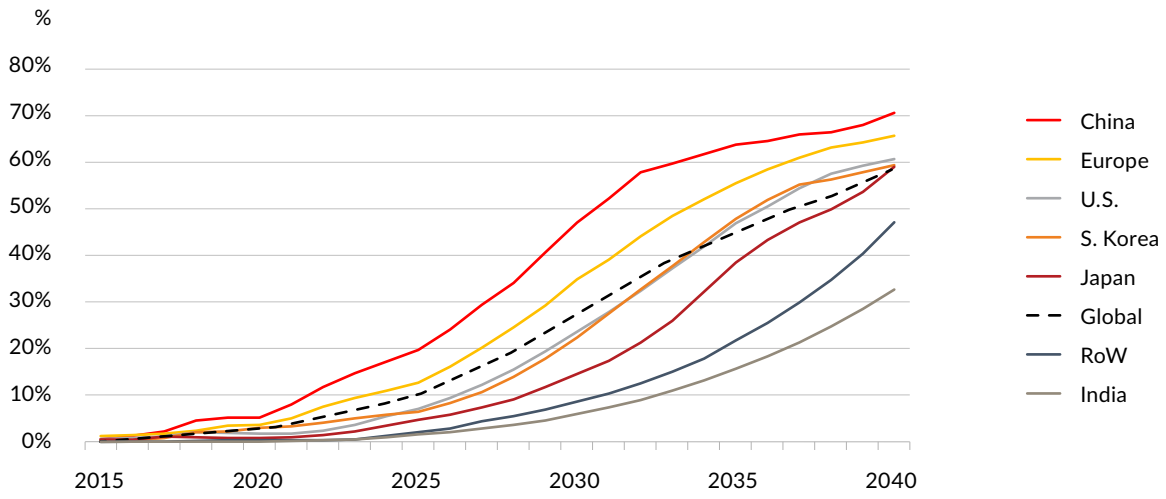
Evolving consumer preferences coupled with growing government incentives and regulations are driving a once-in a century shift to electrification of the combustion engine vehicle fleet. For example, countries such as the United Kingdom, Germany, France and Sweden have announced their intentions to either increase the applicable environmental targets or outright ban the sale of internal combustion engine vehicles.

Consumers are also increasingly considering EVs for a variety of reasons including better performance, increasing charging infrastructure, lower maintenance and operating costs as well as lower environmental impacts.

In 2019, 2.1 million passenger EVs were sold globally, up from 1.9 million in 2018 and 1.1 million in 2017. In 2019, EV sales accounted for 3% of all vehicle sales. By 2025, EVs are forecast to account for 10% of global passenger vehicle sales, rising to 28% in 2030 and 58% in 2040. The long-term growth forecasts in various regions are provided in **Figure 6** below.

By 2030, China and Europe are forecast to represent 72% of all passenger EV sales, driven by European vehicle CO_2 regulations and China's EV credit system, fuel economy regulations and city policies restricting new internal combustion vehicle sales.

Figure 6: Global long-term EV share of new passenger vehicle sales by region



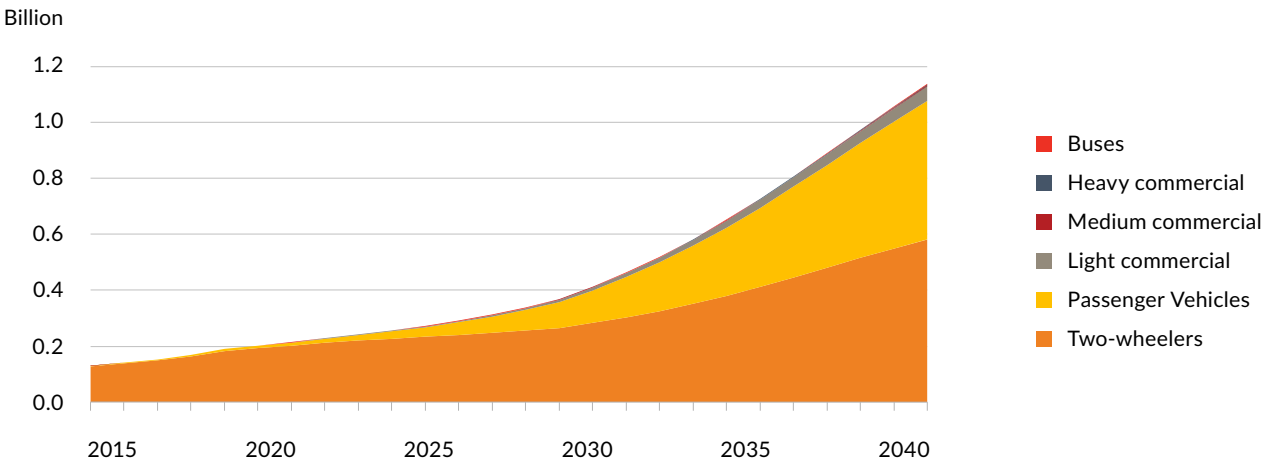
Source of data: 'Electric Vehicle Outlook 2020', BloombergNEF (Bloomberg Finance L.P.)

4. A New Approach to Batteries

continued

The electrification of two wheeled vehicles such as motorcycles, e-bikes and e-scooters are also a significant driver behind e-mobility battery demand. Adoption in this sector has been rapid due to policy however rising manufacturer interest and improving total-cost-of-ownership economics will continue to drive the electrification of this segment. It is estimated that 77% of global two-wheeler sales will be electric in 2040. This is explored further in **Figure 7**.

Figure 7: Global EV fleet by segment



Source of data: 'Electric Vehicle Outlook 2020', BloombergNEF (Bloomberg Finance L.P.)

Lighter, more energy dense and safer batteries are critical to this sector in order to drop cost, increase range and deliver cost advantages over conventional petrol and diesel powered vehicles.

Consumer Electronics and Internet of Things Devices

As highlighted in **Figure 5**, consumer electronics such as mobile phones and other wearable devices account for 36% of total lithium-ion demand in 2020 (70GWh/year). This is forecast to grow to 137GWh/year by 2030 however its percentage as a proportion of total battery demand is forecast to decline to 6.7% due to the rapid growth in EV demand.

Connected wearable devices such as smart watches, portable personal devices such as wireless speakers and ear/headphones and remote asset monitoring sensors are continuing to grow at a rapid rate.

Manufacturers are seeking advances in battery technology to provide safe and ultra-long-life batteries to allow them to drive product innovation forward. Manufacturers are continuously searching for alternative advanced battery technologies due to the inherent technological limitations, safety concerns and environmental impacts of lithium-ion batteries.

Aviation and Drone Technology

Attempts at advancing battery powered aviation in large commercial aircraft have been limited by the weight, energy capacity and recharge speed of batteries relative to existing fossil fuel powered aircraft. Jet fuel contains around 30 times more energy per kilogram than current market leading lithium-ion batteries.

There are also various safety concerns surrounding the use of lithium-ion batteries in aviation as these batteries are flammable if damaged and become hazardous over time. This was highlighted in 2014 where the entire Boeing 787 fleet was grounded by the U.S. Federal Aviation Administration following batteries in the auxiliary power unit catching on fire.

Drone technology is continuing to advance with additional applications being developed. There are growing requirements for drones to fly longer and to also carry heavier payloads to open up new commercial applications.

Safe, light batteries with a high energy capacity and quicker recharge times are critical to open up commercial drone applications and to enhance safety in aviation.

Law Enforcement and Defence

Technology used in law enforcement and defence are becoming increasingly dependent on portable electrical energy. For example, land vehicles for law enforcement and defence forces are being fitted with more electronic equipment resulting in increased demand for energy. Insufficient energy storage can inhibit operational performance particularly when conducting silent watch operations (when the engine is off). In these circumstances batteries with low energy capabilities will last short periods of time.

Batteries have become mission critical for law enforcement and defence personnel and their electronic devices. This equipment can include a rugged tablet computer for GPS and navigation, short/ long range radios, satellite phones, night-vision gear, chemical detectors and assorted sensors. According to Forbes, a typical U.S. soldier may carry a dozen devices and 70 batteries weighing around 7.3kg on a 3-day patrol.

Globally law enforcement and defence forces are searching for advances in battery technology which have greater energy density, are lighter in weight and safe when subjected to kinetic impact.

Other Uses

There are several other significant and growing applications for advanced battery technology:

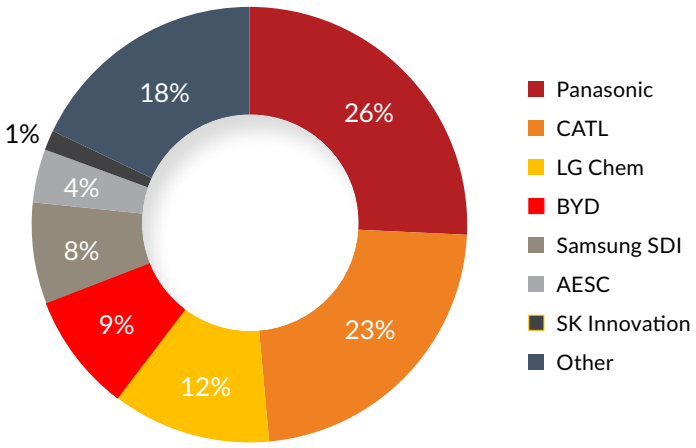
1. **Grid scale storage** – The use of grid scale battery storage to manage network load is increasingly important with the increase in renewable energy generation and Australia is leading investment in this area. For example, there is a 450MWh grid storage battery currently being built just outside Geelong in Victoria that will be the largest battery in the southern hemisphere.

2. **Trains and trams** – The use of batteries is increasingly seen by the rail industry as critical to reduce its carbon intensity. For example, in 2020, the Queensland rail operator, Aurizon highlight the role of batteries to displace existing carbon-intensive power trains in the medium-term, whilst also noting that the low energy density of current batteries is inhibiting the take-up.

4.11 Lithium-ion Battery Producers

The top five global lithium-ion battery manufacturers are Panasonic (Japan), CATL (China), LG Chem (South Korea), BYD (China), and Samsung (South Korea). The respective global market shares for passenger EV lithium-ion batteries in 2019 is provided in **Figure 8** below.

Figure 8: Global market share for passenger EV lithium-ion batteries in 2019



Source of data: 'Electric Vehicle Outlook 2020', BloombergNEF (Bloomberg Finance L.P.)

4. A New Approach to Batteries

continued

4.12 Lithium-ion Variants

Lithium-ion batteries come with a range of component chemistries, largely categorised by the composition of the cathode. The top five cathode compositions are lithium nickel cobalt manganese oxide, lithium nickel cobalt aluminium oxide, lithium manganese oxide, lithium iron phosphate and lithium cobalt oxide. Conventional lithium-ion batteries have a limiting theoretical energy capacity of 387 Wh/kg, and practically operate within the 100 – 260 Wh/kg range.

Research and development is being carried out on other battery compositions to replace lithium-ion, including lithium air, lithium metal and solid-state lithium-ion, however these are still in the research and development phase.

4.13 Competitive Landscape within the Lithium-sulphur Battery Space

There are some established participants in lithium-sulphur battery research and development however none have reached mass production.

The Company is aware of a number of entities, including universities and private companies, that are engaging in research into lithium-sulphur technologies.

Li-S Energy is not aware of any company engaged in the development of flexible lithium-sulphur batteries or 3D printed lithium-sulphur batteries.

Section 5

THE COMPANY AND BUSINESS

5. The Company and Business

5.1 The Company

Li-S Energy was created as the result of a joint venture between Li-S Energy's founding Shareholders, PPK Group Limited (through its nominee subsidiary, PPK Aust), BNNTTL and Deakin. Li-S Energy was registered on 12 July 2019 with the objective of developing a battery technology based on more advanced lithium-sulphur chemistry, where BNNTs and other nanomaterials are incorporated into battery components. The aim of this combination is to improve battery energy capacity and cycle stability when compared to current lithium-ion batteries and lithium-sulphur batteries, respectively.

Initial testing has shown that the Li-S Energy Batteries developed by Li-S Energy have substantially improved capacity, performance, stability and cycle life compared to conventional lithium-sulphur batteries without BNNTs.

Additional provisional patent applications have been lodged for the science behind this breakthrough as set out in the Intellectual Property Report in Section 7, and the testing methodology and results have been validated by TMPR Consulting, a globally recognised expert team of battery specialists, as set out in the Research Validation Report in Section 6.

In achieving these results, Li-S Energy has had the benefit of BNNTTL's technical skill and know-how in respect of the practical application of BNNTs in batteries, as well as Deakin's prior decade of research into the development of novel uses for BNNTs, and future battery technologies[1], including the patent for "Flexible Lithium-Sulfur Batteries" (sic) as detailed in Section 12.3(a) and the Intellectual Property Report in Section 7 .

Li-S Energy has agreements in place with BNNTTL in relation to the supply and distribution of BNNTs, and with Deakin in relation to further research and development, and has built and tested coin, pouch and flexible form Li-S Energy Batteries.

5.2 Current Development Status

The Li-S Energy Battery technology has been built and tested at the Institute for Frontier Materials at Deakin where the Company has a fully equipped, purpose-built laboratory to make lithium-sulphur coin, pouch and flexible form batteries.

Testing undertaken to date indicates that BNNTs substantially enhance the performance, capacity, stability and cycle life compared to an identical lithium-sulphur battery without BNNTs. These findings have been validated by TMPR Consulting, which has a team of leading battery experts, led by Professor Maria Forsyth. The TMPR Consulting report concluded that:

> ***"The incorporation of a BNNT interlayer improves the capacity retention by approximately 15% during long-term cycling of a Li-S cell at a current of 5mA (ca. C/6). The incorporation of the BNNT interlayer prolongs the lifetime (the number of cycles until the capacity drops below 60% of the initial value) of the Li-S cell from 30 cycles to over 600 cycles (this cell has completed 600 cycles at the time of writing).***
>
> ***The inclusion of an integrated coating of BNNT, functioning as an insulating layer on the Sulfur cathode, provides a significant improvement to the cycling stability of the Lithium-Sulfur battery" (sic).***

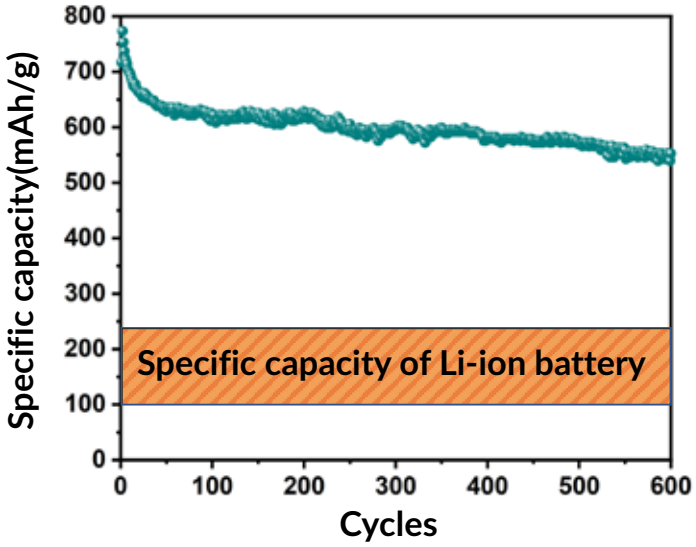
Existing lithium-sulphur batteries have severe limitation with lifetime performance, typically degrading to the point of failure over very few charge and discharge cycles.

At 600 charge and discharge cycles, **Figure 9** below shows how the specific capacity of the Li-S Energy Battery has been maintained around 550mAh/g which is in the region of three times the specific capacity of current lithium-ion batteries and above 60% of its initial specific capacity. In simple terms, the innovative use of BNNT has retained the high energy capacity of a lithium-sulphur battery while also limiting significant degradation.

Li-S Energy has now lodged two key provisional patents covering the innovative function of BNNTs within the chemistry of the Li-S Energy Battery (see Section 7).

1 Deakin University, 'Media Release: Nanotechnology creates next generation powerful battery technology,' 18 May 2021.

Figure 9: Li-S Energy Battery test results after 600 continuous cycles



The full report is set out in Section 6.

5.3 Li-S Energy Development Program

The Li-S Energy research and development program (**Development Program**) is designed to provide a path to deliver Li-S Energy Batteries, materials and intellectual property to market. It has the following four primary goals:

1. Further optimise Li-S Energy technology

The Company has successfully proven the breakthrough that BNNT and Li-Nanomesh improves the stability and energy capacity of a lithium-sulphur battery. The Company believes continued optimisation of materials and construction will likely result in even greater increases in cell performance. Additional testing, including fast charging, higher capacity electrodes and other more aggressive use scenarios is likely to expand commercial use-cases, increase the total addressable market and so increase the value of Li-S Energy intellectual property.

2. Produce Li-S Energy Batteries in pouch, cylinder and flexible battery formats

To maximise total addressable market and improve speed of adoption, Li-S Energy Batteries need to be manufactured in all common battery formats, including pouch, cylinder and coin cells. In addition, enabling bespoke and flexible form batteries would create a new class of battery to enable applications in flexible devices such as foldable phones and wearable devices such as headphones or smart watches.

3. Build pilot production line, manufacture batteries and prove their benefits in commercial products with commercial partners

The clearest demonstration of Li-S Energy Battery benefits is to show its performance in real products in direct comparison to current lithium-ion batteries. The Company intends to collaborate with product original equipment manufacturers (**OEMs**) in key markets, retrofit their products with Li-S Energy Batteries, and have the OEM complete a comparative field test. If these tests show, for example, an EV with twice the range, or a drone with twice the flight time, it would be a clear demonstration of the Li-S Energy breakthrough to the public, the product OEMs and to battery manufacturers. The Company intends to use these early stage results to advance commercial discussions with product OEMs and battery manufacturers.

4. Develop intellectual property on how lithium-ion battery manufacturing plants can be adapted to produce Li-S Energy Batteries

Creating rapid mass adoption would require one or more battery manufacturers to invest in the capability to produce Li-S Energy Batteries. The Company intends to build and operate a pilot scale battery production facility to demonstrate the manufacturability of Li-S Energy Batteries, and help battery manufacturers quantify how to adapt existing lithium-ion battery lines to produce Li-S Energy Batteries with the least amount of downtime and capital cost.

During these development stages the Company will seek to collaborate with battery manufacturers as well as various industries involved in the manufacture and supply of battery powered products.

A key part of the Development Program is the intention to build and commission a pilot scale semi-automated battery production line within 12 months of Completion of the Offer. To that end the Company has secured additional space in the Deakin ManuFutures building at the Geelong Waurn Ponds Campus, which the Company anticipates being sufficient to accommodate the laboratory, production plant and office space required for the next two years.

Further details on the Development Program are provided in Section 5.4 below.

5.4 Development Program Components

Core Technology

1. Li-S Energy Battery Optimisation

This is an ongoing core project to optimise the construction, materials, processes and composition of the Li-S Energy Battery to deliver the best performance in various use scenarios. In addition to single cell pouches, the Company also intends to produce and optimise multi-layer pouches with up to 100 electrode layers and produce cylinder cells. This will allow the Company to maximise the energy capacity and energy density of Li-S Energy Batteries.

2. Li-Nanomesh Anode Protection

Having shown the potential of the Li-S Energy Li-Nanomesh composite to protect a lithium anode from dendrite formation, the Company intends to optimise Li-Nanomesh and its performance in different cell configurations and test a variety of charge cycling scenarios including fast charge/ discharge. The Company also intends to test Li-Nanomesh with other metal anode materials and other battery chemistries. If similar benefits are found, it is likely to expand substantially the total addressable market for this material and associated intellectual property.

3. Pilot Pouch and Cylinder Cell Plant and Production

Within 12 months, the Company intends to build and commission a pilot pouch and cylinder cell production facility. To enable this, the Company will move the Li-S Energy Development Program from its current location to a leased facility in the Deakin ManuFutures building. The Company expects to spend approximately $6M on the pilot production facility.

4. Retrofit Batteries to Products

The clearest way to prove the benefits of Li-S Energy Batteries is to show their increased performance against lithium-ion batteries in popular products. The Company intends to collaborate with current product manufacturers to retrofit the Li-S Energy Batteries into commercial products such as drones, power tools and EVs, and test the performance against identical products with conventional lithium-ion batteries.

The Company expects to initially test smaller devices using batteries built in the laboratory, until the pilot production facility is commissioned allowing for larger scale battery packs to be produced.

As the benefits are proven, the Company intends to continue developing the commercial relationship with those product manufacturers.

5. Modelling, Simulation and In-situ Monitoring

Rapid optimisation requires excellent data to predict and guide optimisation decisions. The Company intends to improve the quality and speed of optimisation in its Development Program by implementing laser based photoacoustic, plus acoustic systems to monitor cell performance during testing, plus fibre optic sensing to monitor internal cell parameters in real time while the cell is charging and discharging.

The Company also intends to augment this with modelling and simulation capabilities, enabling the Company to better use the in-situ test data to predict the best combination of materials and construction for the next iteration of cell tests. This investment will increase speed of optimisation and testing, and in turn improve the outcomes of the Development Program and speed of adoption of Li-S Energy intellectual property.

Projects to further enhance Li-S Energy Battery Intellectual Property

6. Flexible Form Battery

Li-S Energy owns a patent for flexible form lithium-sulphur batteries. The Company intends to adapt the Li-S Energy pouch cell battery to create a flexible form battery. This has the potential for myriad commercial applications including flexible screen devices, foldable mobile phones, wearable technologies and small format devices where the battery must form to fit the physical device shape.

7. Solid State Battery

Current lithium-ion and lithium-sulphur batteries use a liquid electrolyte which can be flammable. In this project the Company intends to capitalise on existing Deakin expertise into solid state electrolytes, with the aim of building a solid state Li-S Energy Battery.

8. 3D Printed Battery

Based on current research into advanced 3D printing at Deakin, plus advances in the Company's BNNT and Li-Nanomesh composites, the Company intends to commence research and development to develop a process to 3D print complete multi-layer lithium-sulphur batteries. If successful, this research has potential to:

- enable Li-S Energy Batteries to be printed directly into other devices, for example into solar panels, printed circuits and other components in a wide variety of shapes and form factors; and
- enable product manufacturers to integrate power storage and power delivery directly into the components that use it.

5. The Company and Business

continued

5.5 Intellectual Property

Li-S Energy's intellectual property encompasses seven key aspects of lithium-sulphur battery construction. Some of these key aspects are also relevant and could provide similar benefits in other types of batteries where nano-insulative materials may solve issues such as over-heating, dendrite growth and compromised gravimetric energy density.

A brief description of the components and operation of lithium-ion and lithium-sulphur batteries is given in Section 4.5 to assist with context for the Li-S Energy intellectual property.

The seven key aspects of Li-S Energy intellectual property are described as follows:

- **Composite chemistry of the cathode**
- **A process of molecular bonding of cathode materials**
- **A structural framework and construction of the cathode with BNNT**
- **An integrated coating and process on the anode – Li-Nanomesh formulation**
- **Re-proportioning the ratio of mass between anode and cathode**
- **The chemistry and stability of the separator and electrolytes**
- **Other know-how in relation to the application of BNNTs and Li-Nanomesh in the modified fabrication of battery components**

A summary of this intellectual property and associated patents is set out in the Intellectual Property Report in Section 7.

5.6 Commercialisation partners

The Company is currently working with Deakin on the development of the Li-S Energy Battery technology. Li-S Energy will be engaging with other battery industry participants and product manufacturers to field test Li-S Energy Batteries in nominated products.

5.7 Dependencies

One of the Company's key dependencies is the supply of a sufficient quantity of high purity BNNTs at a commercially reasonable price point.

The Company has secured a supply agreement with BNNTTL to provide BNNTs to the Company, plus an exclusive distribution agreement for the Company to distribute BNNTs to the global battery industry for use in lithium-sulphur batteries. Please see Section 12.1 for more detail.

The other components of the Li-S Energy Battery are standard and commercially available. Metallic lithium, sulphur and carbon are available from multiple sources at reasonable cost, while the separator and electrolytes are standard commercial products used with lithium-ion batteries.

5.8 Business Model

Li-S Energy intends to derive revenue from the following activities:

- Licensing Li-S Energy intellectual property to battery manufacturers so that they can produce Li-S Energy Batteries for product OEMs
- Supplying BNNT and Li-Nanomesh materials and know-how in relation to the application of BNNTs and Li-Nanomesh in the construction of a battery to battery manufacturers in order to enable them to produce Li-S Energy Batteries, plus Li-Nanomesh and know-how for other forms of battery that can make use of this material
- Engaging Product OEMs in collaborative projects to retrofit and test Li-S Energy Batteries in their products

5.9 Business Strategies

Engage Product Manufacturers in High Growth Industries: The initial business strategy is to engage with product OEMs to prove the energy storage, technological and commercial benefits of Li-S Energy Batteries in their real-world products. The Company intends to collaborate with chosen product OEMs to retrofit Li-S Energy Batteries into their products, allowing those OEMs to run comparative performance tests against their current lithium-ion batteries.

Engage Flexible Form Product Manufacturers: Once the Company has completed flexible form battery validation, the Company will approach manufacturers of flexible battery powered products. Examples include manufacturers of wearable technologies, foldable phones and tablets, advanced Internet of Things (IoT), security, industrial and renewable energy products.

Engage Battery Manufacturers: On the basis that product OEM tests prove decisive, the Company intends to work with product OEMs to collaboratively approach battery manufacturers with a view to licensing Li-S Energy intellectual property for use in battery production.

License Intellectual Property to Manufacturers: Part of the Development Program is to develop effective methods to adjust current large-scale battery manufacturing plants to produce Li-S Energy Batteries on adapted, existing lithium-ion battery production lines.

Distribute BNNT and Li-Nanomesh Materials for Battery Manufacturing: Use the Company's intellectual property and supply and distribution agreements with BNNTTL to sell and deliver the necessary high purity BNNTs to manufacturers making lithium-sulphur batteries, and Li-S Energy Li-Nanomesh composite to battery manufacturers making lithium-sulphur batteries and other battery types.

Research Other Applications of Li-Nanomesh: The Company will be expanding research and development on the uses of the Company's Li-Nanomesh technology in other battery chemistries, including lithium metal, lithium air, sodium, potassium and aluminium based batteries, all of which experience similar issues of dendrite growth.

Evaluate and Complete Complementary Acquisitions: Li-S Energy may also investigate complementary acquisition opportunities in the industry.

5.10 Target Timeframes

Short term

Year 1

During Year 1, the Company intends to focus its activities on optimising the single and multi-layer Li-S Energy Batteries to further improve capacity and cycle life. The intention is to then retrofit these batteries into one or more products (e.g. drones), with the aim of demonstrating the practical benefits of Li-S Energy Batteries over conventional lithium-ion.

In addition, the Company intends to commence construction of a pilot Li-S Energy Battery production plant, with the aim of increasing the number, capacity and consistency of test Li-S Energy Batteries that can be produced.

The Company plans to continue to engage in partner development with a view to entering into collaboration agreements with one or more product OEMs to test Li-S Energy Batteries in their products.

The Company will commence additional projects, building on existing Deakin research, focusing on 3D printed batteries, flexible form batteries and solid-state batteries.

The Company also plans to progress its research and development and testing on Li-Nanomesh to establish the extent to which it can be designed to prevent dendrites on metal anodes.

5. The Company and Business

continued

Year 2

During Year 2, the Company will be building on the outcomes of Year 1.

In particular, it intends to complete its Li-S Energy Battery pilot production plant to produce Li-S Energy Batteries in sufficient quantities to test larger drones, EVs and other devices.

The Company also intends to engage additional product OEMs with the aim of increasing the number of collaboration agreements and expanding the range of product categories covered. Through product OEM collaboration, the Company intends to seek discussions with one or more battery manufacturers in relation to manufacturing Li-S Energy Batteries.

The Company intends to continue progressing its Li-Nanomesh research and development with the aim of demonstrating dendrite reduction on a range of metal anodes, potentially including lithium, aluminium, sodium and potassium. If results prove its effectiveness, discussions will be sought with manufacturers in the broader battery market where Li-Nanomesh has the potential to be licensed and sold.

The Company expects to continue with its Development Program projects on 3D printed batteries, solid-state Batteries and flexible form Li-S Energy Batteries provided suitable results are obtained. If the research and development proves successful, the Company intends to construct battery cells that can demonstrate these features.

Year 3 and beyond

During Year 3 and subsequent years, the Company intends to focus on engaging with product OEMs and battery manufacturers with the aim of entering into agreements to licence Li-S Energy intellectual property, and to secure ongoing supply contracts for BNNT and Li-Nanomesh with Li-S Energy's customers for the production of Li-S Energy Batteries. The Company also intends to supply intellectual property and consulting advice on the modification of lithium-ion battery production lines to suit the production of Li-S Energy Batteries.

The Company aims to increase its business development and partner development activities to drive commercial outcomes from its intellectual property and customer facing distribution agreements. It also intends to leverage any successful research and development outcomes in solid-state, flexible form and 3D printed batteries by engaging product OEMs with products that could derive a competitive advantage from these battery constructions.

The Company intends to continue to conduct research and development and further develop its intellectual property based on the outcomes of Year 1 and Year 2 projects, feedback from collaboration partners and suitable new opportunities as they arise.

5.11 Budget and Use of Funds

Li-S Energy raised $20,000,000 equity, pre costs, in an April 2021 fund raising. It will use these funds, plus the capital raised in the Offer, to further its Development Program and Business Strategies in accordance with the following budget:

Capital raised in the Offer	$34,000,000	100%
Project Expenditure	$29,112,623	85.7%
Costs of the Offer (see 14.11)	$3,581,968	10.5%
Other Working Capital	$1,305,409	3.8%
Total Proceeds Allocated	**$52,978,750**	**100%**

The available funds from the April 2021 capital raise of $18,978,750 will be used to fund corporate overheads of $3,818,101 and provide an additional $15,160,649 of Working Capital. The total Working Capital of $16,466,058 will be used to fund potential expansion and/or acceleration of existing projects, commencement of new development projects and the pursuit and engagement in revenue generating opportunities through OEM collaboration and other partnerships as further detailed in Section 5.10.

The Directors consider that, on Completion of the Offer, Li-S Energy has enough funds to carry out its stated objectives and confirms that it is not aware of any legal, regulatory, or contractual impediments to Li-S Energy carrying out activities as contemplated by this Prospectus.

Section 6

RESEARCH VALIDATION REPORT

6. Research Validation Report

A summary of the findings and the impacts of the findings in this Research Validation Report can be found at Section 5.2. Please also refer to the notes at the end of this Section.

CONSULTING REPORT

TMPR CONSULTING PTY LTD

ABN: 44 642 808 79

- https://www.tmpr.com.au
- hello@tmpr.com.au

FINAL REPORT APPROVED BY:

NAME: Robert Kerr

DATE: 6th July, 2021

CLIENT: Li-S Energy Limited
ATTENTION: Dr Lee J Finniear, CEO and Members of the Due Diligence Committee

SPECIALIST TECHNOLOGY REVIEW - Li-S Battery Technology

COMMERCIAL IN CONFIDENCE

Version	Date Issued	Author	Signature
v1.0 - DRAFT	21 April 2021	Robert Kerr	
v1.1	4 May 2021	Robert Kerr	
V1.2	6 July 2021	Robert Kerr	

6. Research Validation Report

continued

EXECUTIVE SUMMARY

TMPR Consulting Pty Ltd has reviewed the information package supplied by Li-S Energy Limited to assess the effectiveness of the BNNT electrode coating solution and veracity of the applied testing regime.

Two 20cm^2 lithium metal-sulfur pouch cells were assembled and cycled in order to ascertain the effect of incorporating a BNNT cathode interlayer on the electrochemical capacity retention of the cells during long-term cycling. TMPR has found that the data presented is consistent and supportive of the following conclusions;

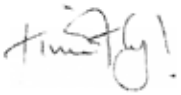
- A BNNT interlayer was successfully deposited onto an electrode area sufficient for the preparation of 20cm^2 pouch cell electrodes using a relatively simple and scalable technique. The deposition of the interlayer was beneficial to the performance of the cathode, leading to higher utilisation of the sulfur active material and no deleterious effects such as capacitive charge/self-discharge processes were evident.
- The reversible cycled capacity of the Li-S cell was improved by 15% after 100 cycles upon addition of the BNNT interlayer. A capacity of 18.9mAh (622mAh/g_{sulfur}) was achieved after 100 cycles, which at the time of writing this report is still cycling with a high level of stability (600 cycles; 16.7mAh, 550mAh/g_{sulfur}). The capacity retention of the cell without BNNT drops to lower than the 60% threshold after 27 cycles (17.5mAh, 574mAh/g_{sulfur}), while that of the cell with BNNT has continued to cycle for more than 600 cycles without falling below the 60% capacity threshold. Based on the testing procedure developed and presented, the improvement in retained capacity is attributed to the presence of the BNNT interlayer.

Signed,

TMPR Consulting Pty Ltd Directors


Prof. Patrick Howlett


Prof. Maria Forsyth


Dr. Timothy Khoo


Dr. Robert Kerr

2

ASSESSMENT OF DATA AND METHODOLOGIES

Key observations and findings

Two Li-S cells were prepared using cathodes denoted as 'bare' or 'with BNNT'. The two cathodes were cut from the same coated film and are assumed to have identical electrode mass loadings. The specific capacity of the sulfur active material is calculated based on the active material mass loading of 30.4mg, assuming all capacity is derived from the sulfur redox processes.

Analysis of the voltage profiles confirms that this is the case for the duration of cycling. The most direct way in which to compare the cell long-term capacity retention is achieved by plotting the absolute cell discharge capacity as a function of the cycle number, as shown in Appendix A. This plot is a measure of absolute cell capacity and gives the most direct comparison of capacity retention for cells that can be reasonably assumed to have near identical (within uncertainty) active material mass loadings and composition.

The majority of capacity fade occurs within the first 30-50 cycles, which is common for sulfur-based cathodes. Both cells reach a stable plateau of cycled capacity after approximately 100 cycles at 18.9 mAh (622 mAh/g_{sulfur}) for 'With BNNT' and 16.4mAh (540mAh/g_{sulfur}) for 'Bare'. This represents a 15% improvement in capacity retention of the 'With BNNT'; a significant improvement.

The testing methods and cell construction used in this study were for the purposes of direct comparison between a cell with and without a BNNT interlayer; a proof-of-concept experiment utilising a pouch cell format to demonstrate scalability of the processes. As such, the cell construction and properties of the BNNT interlayer itself used in this study are non-optimised, with improvement in the performance of the cells to be expected with further development.

Main conclusion

The incorporation of a BNNT interlayer improves the capacity retention by approximately 15% during long-term cycling of a Li-S cell at a current of 5mA (ca. C/6). The incorporation of the BNNT interlayer prolongs the lifetime (the number of cycles until the capacity drops below 60% of the initial value) of the Li-S cell from 30 cycles to over 600 cycles (this cell has completed 600 cycles at the time of writing).

The inclusion of an integrated coating of BNNT, functioning as an insulating layer on the Sulfur cathode, provides a significant improvement to the cycling stability of the Lithium-Sulfur battery

6. Research Validation Report

continued

APPENDIX A

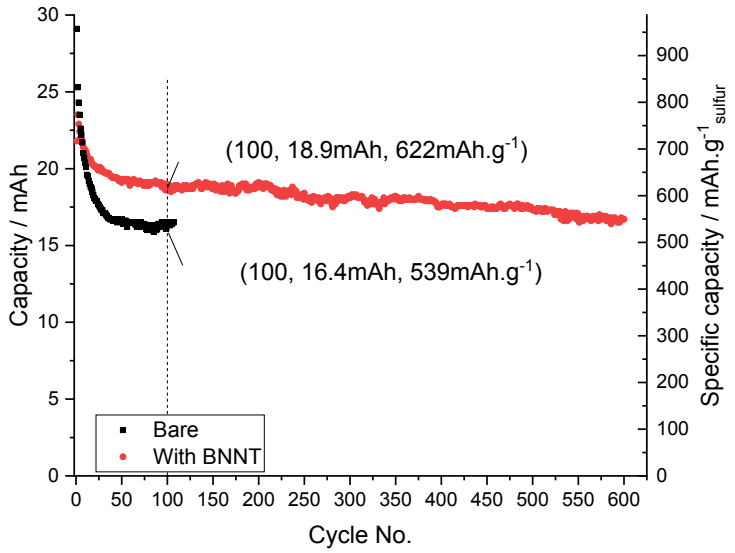


Figure 1. Capacity and specific capacity of the two pouch cells from Li-S Energy examined in this report. 20cm² pouch cells with an active cathode mass loading of 30.4mAh/g_{sulfur}

Notes:

1 The bare cell (without BNNT) failed after just over 100 cycles, so the results (black line) do not extend past the point shown in the graph in the Research Validation Report.

2 The Company's view is that TMPR Consulting is the best service provider to conduct the peer review to validate the research of the Company as none of the individuals at TMPR Consulting were involved with the Company's or Deakin's research and development of the Li-S Energy Batteries at Deakin and the Company is hesitant to allow other potential competitors to access its intellectual property and trade secrets. The directors of TMPR Consulting are also in their own rights leaders in the field of energy materials and technologies.

One of the directors and shareholders of TMPR Consulting is Professor Maria Forsyth.

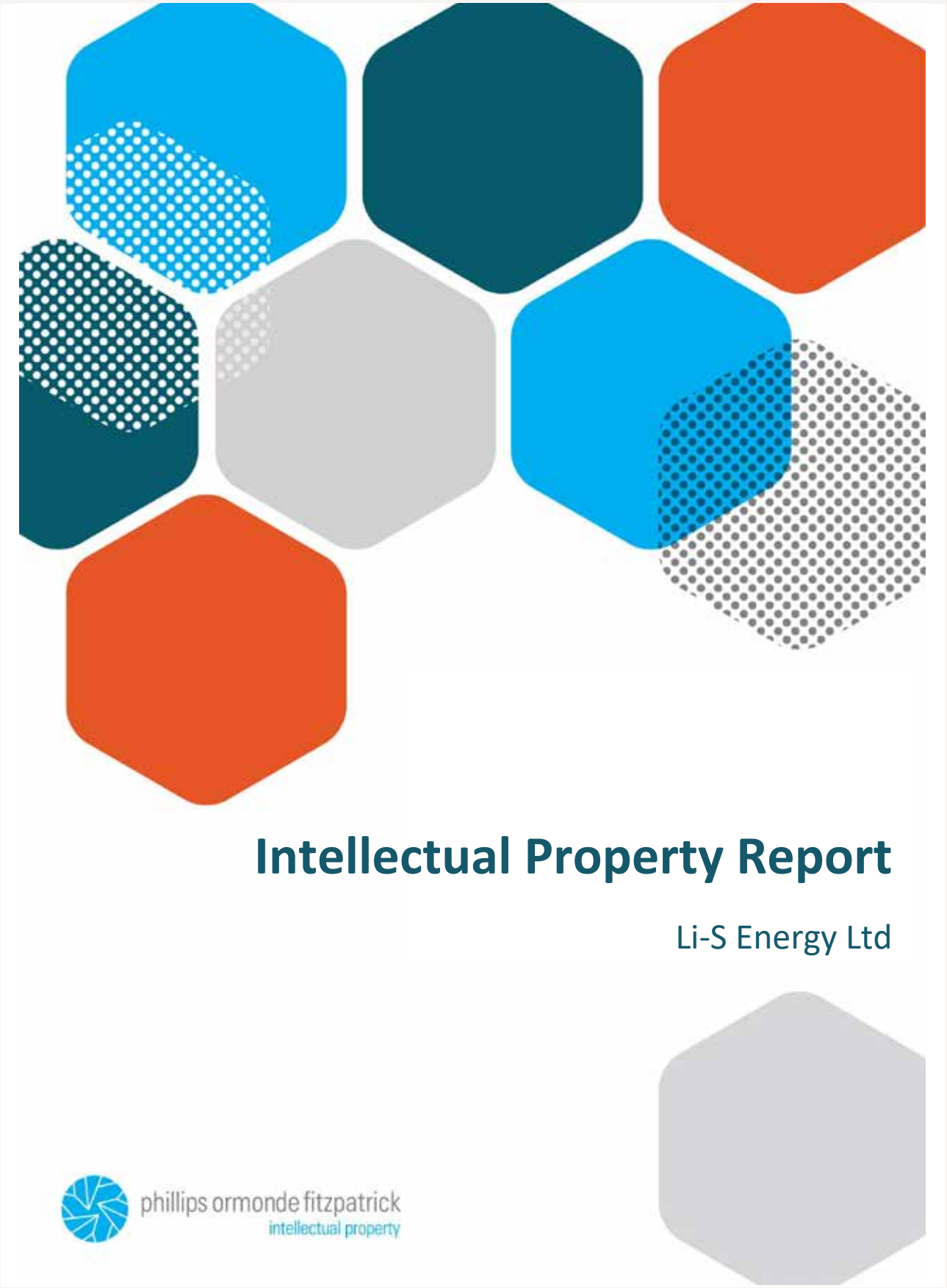
Professor Maria Forsyth "FAA" (Fellow Australian Academy of Sciences), is the Director of ARC Industrial Transformation Training Centre for Future Energy Storage Technologies, StorEnergy, former ARC Laureate fellow and currently an Alfred Deakin Professorial Fellow at Deakin University and an Ikerbasque Visiting Professorial Fellow at University of the Basque Country. She is the Deputy Director of the Institute for Frontier Materials (IFM) at Deakin University in Australia, based at the Burwood campus, where she leads the research effort in energy storage and corrosion science. She has worked at the forefront of energy materials research since her Fulbright Research Fellowship in 1990 and has consistently made breakthrough discoveries, including in polymer electrolytes, ionic liquids and organic plastic crystals. Specifically, her work has focused on understanding the phenomenon of charge transport at metal/electrolyte interfaces and within novel electrolyte materials. This has provided a basis for understanding the behaviour of such materials, and thus moving towards overcoming the performance limitations, of applications ranging from novel fuel cell designs and battery storage to corrosion prevention technologies.

Professor Forsyth leads collaborative projects in lithium and sodium battery technologies funded through recent Australian Research Council grants and with various industries. She is a co-author of over 670 journal and conference publications attracted more than 29000 citations. Professor Forsyth has served on several editorial boards and is currently senior editor for *Journal of Physical Chemistry letters*, a highly respected American Chemical Society journal. She also currently serves on the Research Implementation Advisory Committee for the Future Battery Industry CRC. She is the recipient of the Galileo Galilee award for her contributions to the polymer electrolyte and energy storage field, has received the Australian Corrosion Association Corrosion Medal and was awarded to The Victorian Prize for Science and Innovation (VESKI) in 2017 as well as 2020 Victorian Honour roll for Women.

Section 7

INTELLECTUAL PROPERTY REPORT

7. Intellectual Property Report



INTELLECTUAL PROPERTY REPORT

20 July 2021

Li-S Energy Limited
Level 27, 10 Eagle Street
Brisbane QLD 4000

Dear Board of Directors & Members of the Due Diligence Committee

LI-S ENERGY LTD

Phillips Ormonde Fitzpatrick are a firm of Australian patent attorneys and we act for Li-S Energy Limited (**"Li-S"**) of Level 27, 10 Eagle Street, Brisbane QLD 4000.

We are one of Australia's leading intellectual property firms specialized in providing advice relating to obtaining and enforcing intellectual property rights including patents, registered designs, trade marks, copyright, patent breeder's rights and trade secrets. Our technical experts are highly qualified in science and technology areas including chemistry and materials, physics, biotechnology, information, communications and telecoms, medical devices, life sciences and medical technology to name but a few. With a proven history and strong reputation built on over 128 years' experience, we manage our clients' IP portfolios across Australia, New Zealand, Papua New Guinea, Vanuatu and South-East Asia, as well as globally through our network of trusted associate firms.

We have been engaged to prepare this report (**"Report"**) by Li-S for inclusion in a prospectus to be lodged by Li-S with the Australian Securities and Investment Commission ("**Prospectus**"). This Report contains high level information on the intellectual property assets of Li-S, focusing on its registered rights including patent properties and trade mark properties.

We confirm that the author of this Report, Mary Munroe, a Principle of the firm, is a registered patent attorney, and is legally qualified to provide this Report. A patent attorney registered under Chapter 20 of the *Patents Act 1990* is entitled (per s200 of that Act) to prepare all documents, transact all business and conduct all proceedings for the purposes of the *Patents Act 1990* and the *Trade Marks Act 1995*.

We have no interest in Li-S, other than fees for professional work done. We have not been involved in the preparation of the Prospectus by Li-S other than the preparation of this Report. We are therefore considered independent of Li-S for the purpose of preparing this Report.

In this Report, the following sections have been provided:

Section 1.0 provides an overview of the regimes for the granting of patents and the registration of trade marks.

Section 2.0 provides an overview of the laws relating to entitlement and ownership, particularly for granted patents.

Section 3.0 provides a description of Li-S's patent properties and trade mark properties.

Section 4.0 provides a description of Li-S's entitlement and ownership position in relation to its pending patent applications.

This Report does not provide any comment on the validity of any of the properties in Section 3.0, nor upon the adequacy of the intellectual property position of Li-S. Moreover, this Report does not provide any comment on the likelihood of infringement of third party rights in the event of the commercial exploitation of the Li-S inventions or trade marks that are the subject of the properties identified in Section 3.0.

We have given our consent to this Report appearing in the Prospectus. We have only been involved in the preparation of the Report and have not been involved in the preparation of any other part of the Prospectus, and specifically disclaim liability to any person in respect of statements included elsewhere in the Prospectus.

Section 1.0 – Overview – Granted Patents, Registered Trade Marks

(a) Patents

Patents are a monopoly right granted by the relevant national Patent Office on behalf of the government of a country in return for publication and full disclosure of an invention. The monopoly right enables a patent owner to prevent third parties from exploiting the invention without its consent. The owner of a patent has exclusive rights to manufacture, import, use, keep, sell, offer for sale or otherwise exploit the products or processes protected by the patent in the countries where patent protection has been granted. A third party infringes the patent if it exploits the invention without consent of the owner.

Once granted, patents have a limited term, usually 20 years from the initial date of filing the application (which establishes a priority date with respect to examination in all jurisdictions elected), subject to the payment of maintenance or renewal fees, after which the patented invention is available for others to use without restriction. For the most part, the priority date establishes a cut off date for the purpose of assessing the invention against what has gone before once a provisional application is filed in a single jurisdiction whereby that date is later recognised by other jurisdictions where applications are later filed.

The main requirements for patentability are that an invention must be *novel* and *inventive* at the priority date of the patent application. In order for an invention to be "novel", the invention must merely be different to what was known in the art at the priority date – the invention cannot previously have been made available to the public. For an invention to be "inventive",

the invention needs to be an advance over what was known in the art at the priority date, and the advance must not be one that was obvious to a person skilled in the art at the priority date.

(b) Patent Granting Process

In order to obtain grant of a patent in any country, a national or regional patent application must be lodged containing claims that define an invention, and the national patent application must be examined by a local Patent Office or a Regional Patent Office to ensure that local requirements are met and patentable subject matter is defined in the claims. Patent protection in some countries can be obtained via regional protection, such as in Europe, where a regional European patent application may be lodged instead of separate national patent applications in multiple European countries.

There are several application processes and systems available, the best options for a client being determined by a combination of financing, by the particular countries of interest to the client, and often by the nature of the invention itself.

There is an international patent application process that is commonly used to initiate patent applications in more than 150 member countries (including Australia) of the Patent Cooperation Treaty (PCT), which is a treaty administered by the World Intellectual Property Organisation (WIPO).

Often referred to as a PCT application, these applications are not substantively examined (but can be preliminarily examined on a voluntary basis) and do not give rise to grant of a patent per se. They are merely a mechanism for delaying the lodgement of national patent applications for up to 30 months (more in some countries) from an earliest priority date and for obtaining a non-binding preliminary view of patentability from a PCT Patent Examiner.

At the end of this "international phase" of 30 months, applicants must then enter the national or regional phase in any country or region of interest, which results in a family of separate national or regional patent applications. Each national or regional patent application must then be examined by local Patent Office authorities in order to meet local patentability requirements, which is a process that can take many months or years.

Objections from local Patent Offices are common during the examination process.

Successful progression through the examination process, either through a lack of objections by a Patent Office, or by successfully overcoming any such objections, results in allowance of the patent application and subsequently grant of patent in that country or region.

(c) Trade Marks

A trade mark is any "sign" which is used to distinguish the goods of one business from the goods of any other business. Most trade marks are words or logos, but sounds, shapes, colours and scents are examples of other things which can be trade marks.

In Australia, it is possible for a trader to use and acquire rights to a trade mark without applying for registration of the trade mark ('common law' or unregistered trade marks). However, by applying to register a trade mark various additional benefits may be obtained, including a reasonable confidence that use of the registered trade mark will not infringe any other trade

mark registration. Further, it is easier to prevent other traders from using a registered trade mark than it is to prevent them using an unregistered trade mark.

(d) Trade Mark Registration Process

In order to obtain registration of a trade mark in any country, a national or international trade mark application must be lodged, identifying the trade mark for which registration is sought, and covering specified goods and/or services in one or more of the classes of the International Classification system.

A trade mark application will be examined by a local Trade Marks Office to ensure that local requirements are met and that the trade mark is registrable in relation to the specified goods and/or services.

Trade mark registration in some countries can be obtained via regional protection, such as in Europe where a regional European Community trade mark application may be lodged instead of separate national trade mark applications in multiple European countries.

There is also an International trade mark registration regime, via the Madrid Protocol, of which Australia and more than 80 countries are signatories. This regime does provide for a central registration to cover multiple countries, although most countries are still provided with an opportunity to raise objections or reject coverage in their country is certain local requirements are not met.

A trade mark application will be rejected if the trade mark, amongst other things, is not 'distinctive', but is merely descriptive of a characteristic or quality of the goods, would be likely to deceive or cause confusion when used, or is substantially identical with (or deceptively similar to) a trade mark registered in the name of another person in respect of the same or similar goods.

If a trade mark is registered, the trade mark will remain registered for a period of 10 years. A trade mark registration can then then be renewed for further 10 year periods.

(e) Trade Secrets

Broadly speaking, any confidential business information which provides an enterprise a competitive edge may be considered a trade secret. Trade secrets encompass manufacturing or industrial secrets and commercial secrets. The unauthorized use of such information by persons other than the holder is regarded as an unfair practice and a violation of the trade secret. The protection of trade secrets is based on common law rights that relate to the protection of confidential information.

The subject matter of trade secrets is usually defined in broad terms and can include sales methods, distribution methods, consumer profiles, advertising strategies, lists of suppliers and customers, and manufacturing processes.

(f) General Comments

It is important to note the following:

1. The grant of a patent and the registration of a trade mark do not guarantee the validity or enforceability of the granted patent or the registered trade mark. Granted patents and registered trade marks may be challenged by third parties and, if successful, held to be invalid and subsequently removed from a Register. For example, the claims in a granted patent might be found by a Court to lack novelty and inventiveness when compared to prior art, or a registered trade mark might be removed from a Register if it is found by a Trade Marks Office that the trade mark has not been used by the registered owner for a continuous period of 3 years.

2. Enforcement of these rights against infringing third parties is the responsibility of the registered owner of the rights, and an infringing third party is able to challenge the validity of the right if sued for infringement by the owner.

3. The grant of a patent does not provide the patent owner with a defence to the infringement of another granted patent – it is possible for the use of an invention protected by a granted patent to infringe the rights in another, earlier, granted patent.

4. The registration of a trade mark provides the registered owner with a defence to the infringement of another registered trade mark. However, this defence does not extend to common law enforcement proceedings that raise issues of passing off or breaches of the Consumer Law provisions relating to misleading and deceptive conduct.

5. The grant of a patent in one jurisdiction, and the registration of a trade mark in one jurisdiction, also does not mean that the same patent will be granted, or the same trade mark will be registered, in another jurisdiction.

All of the patent, trade mark and trade secret requirements mentioned in Section 1.0 are similar in most countries, with the important exception that some countries do not recognise common law trade marks and thus afford trade mark rights only to those that seek trade mark registration.

Section 2.0 – Overview – Entitlement and Ownership

The Australian *Patents Act 1990* says that a patent for an invention may only be granted to a person who is the inventor, or an entity who would on the grant of a patent for the invention be entitled to an assignment of the patent from the inventor, or who derives title to the invention from such an entity. This requirement is known as 'entitlement' and the law on entitlement is generally similar in all countries.

On the general question of inventorship, while there are rules and guidelines about what qualifies as inventorship, generally an inventor is someone who has contributed materially to the concept of an invention, being an invention as claimed in a patent.

An entity that wants to claim ownership of a patent, or of a patentable invention, needs to be able to show a valid chain of legal title originating with the inventor, and ending with itself. If there are multiple inventors, then a chain of title must exist from each one of them to the final owner.

Ideally, a Patent Register in a country reflects the true situation with regard to inventorship and ownership. But, ultimately, if the Register does not match a provable legal position, then the legal position usually overrides the Register. For example, before a patent is actually granted (i.e. when it is still an application) the Australian Patent Office will generally accept simple assertions of an applicant as to inventorship and ownership, but these are able to be challenged in the Australian Courts at a later stage. In some countries, though, inventors and applicants are required to attest to inventorship and ownership positions by way of executed (and sometimes legally witnessed and sworn) documents.

Section 3.0 – Li-S Patent, Trade Mark Properties and Trade Secrets

(a) International Patent Applications – Li-S Energy Limited is recorded on the database of the World Intellectual Property Organization (WIPO) as the owner of the following patent properties:

Country	Application No.	Title	Earliest Date	Status
International	PCT/AU2020/050986	Flexible Lithium-Sulfur Batteries	20 September 2019 (priority date)	Published

International patent application PCT/AU2020/050986 (**"PCT'986"**) was filed on 18 September 2020 in the name of Deakin University. PCT/AU2020/050986 claims priority from AU Provisional Patent Application 2019903509, also filed in the name of Deakin University. PCT'986 was published by WIPO on 25 March 2021. It is possible through to 20 March 2022 (or 20 April 2022 in some countries and regions) to enter the national or regional phase in further PCT member states. Earlier entry into a number of national or regional phases phase in further PCT member states is possible, if desired.

On 14 April 2021 Deakin University assigned all of its rights and title in PCT'986 to Li-S thus conferring to Li-S sole ownership of this patent application.

The abstract of PCT'986 states that the application relates to high performance flexible lithium-sulfur flexible energy storage devices including a flexible lithium metal anode for an energy storage device comprising an electrically conducting fabric functionalized with a 3D hierarchical MnO_2 nanosheet lithophilic material, a flexible graphene/sulfur cathode protected by an FBN/G interlayer, and a flexible separator for an energy storage device wherein the separator comprises one or more microporous films of a Li ion selective permeable polyolefin material

wherein at least a portion of the pores of the film are associated with nanoporous polysulfone polymer positioned between the anode and the cathode.

We understand that decisions on protection in other countries will thus be made nearer those deadlines.

(b) Australian Provisional Patents – Li-S Energy Limited is recorded on the database of IP Australia as the owner of the following patent properties:

Country	Application No.	Title	Earliest Date	Status
Australia	2021900777 (provisional)	Sulfur Cathodes	17 March 2021 (priority date)	Pending
Australia	2021901368 (provisional)	Metal Anodes	7 May 2021 (priority date)	Pending

In relation to Australian Provisional Application 2021900777, this application may be converted to one or more of a complete Australian patent application, a convention application in other jurisdictions and/or an International Patent Application before the final deadline of 12 March 2022.

In relation to Australian Provisional Application 2021901368, this application may be converted to one or more of a complete Australian patent application, a convention application in other jurisdictions and/or an International Patent Application before the final deadline of 7 May 2022.

In relation to Australian Provisional Application 2019903509, originally filed in the name of Deakin University, has now lapsed in favour of PCT'986 which as outlined above was recently assigned to Li-S. Lapse in favour of a subsequent PCT application is normal practice as part of the progression of an Australian provisional patent application.

Country	Application No.	Title	Earliest Date	Status
Australia	2019903509 (provisional)	Flexible Lithium-Sulfur Batteries	20 March 2019 (priority date)	Lapsed in favour of PCT'986

(c) Australian Trade Marks – Li-S Energy Limited is recorded on the Register of the Australian Trade Marks Office (IP Australia) as the owner of the following Australian trade mark properties:

Number	Mark	Class	Date	Status
2171712	LI-S ENERGY (word)	9	16 April 2021	Published, awaiting examination
2191650		9	2 July 2021	Filed

By way of example, the goods and services of Class 9 are generally as follows:

- Class 9 – Goods, including apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling the distribution or use of electricity.

The specification for the above International trade mark applications seeks to protect use of the marks with respect to:

- Batteries; Lithium sulphur batteries; Flexible form batteries; Batteries incorporating boron nitride nanotubes; Battery components and materials for Lithium ion, Lithium Metal and Lithium Air batteries; Components and materials for metal and metal composite anodes and cathodes including anodes and cathodes containing Lithium, Sodium, aluminium or potassium (or a combination of those), for use in batteries and supercapacitors; Materials and components for use in supercapacitors and hybrid supercapacitor/batteries.

(d) International Trade Marks – Li-S Energy Limited is recorded on the Register of the Australian Trade Marks Office (IP Australia) as the owner of the following International (Madrid Protocol) trade mark properties:

Number	Mark	Class	Date	Status
1 594 460	LI-S ENERGY (word)	9	21 April 2021	Registered
Designating Canada, China, EU, UK, Japan, New Zealand, USA				
2191650		9	6 July 2021	Filed
Designating UK, USA, and New Zealand				

By way of example, the goods and services of Class 9 are generally as follows:

- Class 9 – Goods, including apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling the distribution or use of electricity

The specification for the above International trade mark applications seeks to protect use of the marks with respect to:

- Batteries; Lithium sulphur batteries; Flexible form batteries; Batteries incorporating boron nitride nanotubes; Battery components and materials for Lithium ion, Lithium Metal and Lithium Air batteries; Components and materials for metal and metal composite anodes and cathodes including anodes and cathodes containing Lithium, Sodium, aluminium or potassium (or a combination of those), for use in batteries and supercapacitors; Materials and components for use in supercapacitors and hybrid supercapacitor/batteries

(e) European Community Trade Marks – Li-S Energy Limited is recorded on the Register of European Intellectual Property Office (EUIPO) as the owner of the following European Community trade mark properties:

Number	Mark	Class	Date	Status
018516933		9	19 July 2021	Under examination

By way of example, the goods and services of Class 9 are generally as follows:

- Class 9 – Goods, including apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling the distribution or use of electricity

The specification for the above International trade mark applications seeks to protect use of the marks with respect to:

- Batteries; Lithium sulphur batteries; Flexible form batteries; Batteries incorporating boron nitride nanotubes; Battery components and materials for Lithium ion, Lithium Metal and Lithium Air batteries; Components and materials for metal and metal composite anodes and cathodes including anodes and cathodes containing Lithium, Sodium, aluminium or potassium (or a combination of those), for use in batteries and supercapacitors; Materials and components for use in supercapacitors and hybrid supercapacitor/batteries

(f) Trade secrets - Li-S undertakes considerable research and development activity. This activity gives rise to a pool of knowledge, some of which is retained confidentially for internal use to aid subsequent development activities (being trade secrets), and some of which is embodied in proprietary software, and manufacturing and quality system procedures.

It is our understanding that Li-S are taking steps to ensure the documentation of this confidential and proprietary information, and prevent leakage, through a combination of:

- Within the organisation, ensuring that trade secrets are treated and managed as highly confidential information;
- Incorporating confidentiality clauses into employment agreements to ensure the information stays within Li-S and the know how is not used to advantage competitors; and
- Entering into confidentiality agreements with potential collaborators, partners and other third parties prior to any disclosure of technical information.

Section 4.0 – Li-S Entitlement and Ownership

We have reviewed the inventorship and entitlement position for the patent properties identified in Section 3.0 above and confirm our understanding that

7. Intellectual Property Report

continued

(i) the rights for the invention of Australian Provisional Patent Application 2019903509 transferred from the inventors, Yin Chen, Baozhi Yu, and Tao Tao, to Deakin University by virtue of the inventors' employment with Deakin University and via a subsequent Confirmatory Deed of Assignment signed on 26 May 2020;

(ii) the rights for the invention of Australian Provisional Patent Application 2019903509 transferred from inventor Ye Fan via a Deed of Assignment and Confidentiality executed on November 7th 2019 and in accordance with Deakin University's Intellectual Property (Students) policy;

(iii) the rights for the invention of International Patent Application PCT'986 were transferred from the inventors, Yin Chen, Baozhi Yu, Ye Fan and Tao Tao, to vest with Deakin University by virtue of the inventors' employment with Deakin University as outlined above. Subsequently, Deakin University transferred the rights by assignment to Li-S via a Deed of assignment dated 14 April 2021;

(iv) the rights and title for the invention of Australian patent application 2021900777 and 2021901368 vest with Li-S given that Li-S commissioned and paid for the work development work that lead to this Invention. We understand that confirmatory assignments transferring their rights to Li-S are available.

Report prepared by:

Dr Mary Munroe
Registered Australian Patent Attorney

Principle
Phillips Ormonde Fitzpatrick
Level 15, 4-5 Bligh Street
Sydney NSW 2000

Section 8

DIRECTORS, SENIOR MANAGEMENT, CORPORATE STRUCTURE AND CORPORATE GOVERNANCE

8. Directors, Senior Management, Corporate Structure and Corporate Governance

8.1 Board of Directors

Li-S Energy's Board has a broad background of experience in early stage companies, publicly listed companies, capital markets, and financial, legal, technology and commercial expertise. The Board comprises four Non-Executive Directors. The Directors are:

Dr Benjamin (Ben) Robert Spincer MA, PhD, GAICD. (Age 49) – **Non-Executive Director and Chairman**

Appointed as a Non-Executive Director on 18 March.

Ben is currently the Executive Director of Deakin Research Innovations, responsible for Deakin's commercial research partnerships, as well as the commercialisation and translation of the University's research and oversight of the ManuFutures advanced manufacturing scale-up facility. He was a member of the Victorian Government Innovation Taskforce in 2020 and represents Deakin on a number of research centre and institutes Boards.

Prior to joining Deakin in 2015, Ben was Director of Technology Strategy and Innovation at Telstra, working with the Chief Technology Officer to oversee the long-term technology strategy of the company and to instil a culture of innovation in the company. From 2007 to 2013, Ben was the Director of Investor Relations for Telstra, managing relationships between the company and its shareholders after its full privatisation.

Previously, Ben was Vice President and financial analyst at Credit Suisse in London covering the European telecom industry.

Mr Robin Levison CA, MBA, FAICD. (Age 63) – **Non-Executive Director**

Appointed as a Non-Executive Director on 12 July 2019 and a member of the Audit Committee.

Other listed public company directorships held in the last 3 years:

- *Director of PPK Group Limited and Executive Chairman from 22 October 2013 to 29 April 2015, Non-Executive Chairman from 29 April 2015 to 28 February 2016, and re-appointed Executive Chairman from 28 February 2016. Member of the PPK Group Limited Audit Committee 14 August 2017 to 25 January 2018.*
- *Non-Executive Director and Chairman of Mighty Craft Limited (formerly Founders First Limited) since 17 December 2019.*

Robin Levison has 20 years of public company management and board experience. During this time, he has served as Managing Director at Industrea Limited and Spectrum Resources Limited and has held senior roles at KPMG, Barclays Bank and Merrill Lynch. He is a Non-Executive Director of a number of PPK Group Limited's related companies including White Graphene Limited, BNNTTL, BNNT Precious Metals Limited, 3D Dental Technology Pty Ltd, Ballistic Glass Pty Ltd, Craig International Ballistics Pty Ltd, Strategic Alloys Pty Ltd and AMAG Holdings Australia Pty Ltd.

Robin holds a Master of Business Administration from the University of Queensland, is a Member of the Institute of Chartered Accountants Australia and NZ and is a Graduate and Fellow of Australian Institute of Company Directors. Robin recently retired as Chair of the University of Queensland Business, Economics and Law Alumni Ambassador Council.

Mr Anthony (Tony) John McDonald LL.B. (Age 63) – **Non-Executive Director**

Appointed as a Non-Executive Director on 12 July 2019 and a member of the Audit Committee.

Other listed public company directorships held in the last 3 years:

- *Non-Executive Independent director of PPK Group Limited since 13 September 2017 and a member of the PPK Group Limited Audit Committee since 25 January 2018.*
- *Executive Director of Santana Minerals Limited from 15 January 2013 to December 2019 and Non-Executive Director (non-continuously) since December 2019.*
- *Non-Executive Independent Director of Plant Gas Limited since 19 November 2003 to 20 June 2019.*

Tony graduated with a Bachelor of Laws from the Queensland University of Technology in 1981 and was admitted as a solicitor in 1981. He has been involved in the natural resource sector for many years both within Australia and internationally and for the past 19 years has held senior management roles in this sector. He is a Non-Executive Director of a number of PPK Group Limited's related companies including White Graphene Limited and Strategic Alloys Pty Ltd.

Ms Hedy Cray LL.B. (Hons), LL.M. (age 48) – **Non-Executive Director**

Appointed as a Non-Executive Director on 21 April 2021 and chair of the Audit Committee.

Hedy Cray graduated with a Bachelor of Laws with Honours in 1996 and a Master of Laws in 1999 from the Queensland University of Technology. She has been a law firm partner since 2001 and a partner with Clayton Utz since 2005 and is the Senior Partner of the Workplace Relations Employment and Safety Group for the firm.

She has extensive experience in commercial and corporate strategy, risk management, corporate governance, acquisitions and company restructuring as well as employment, human capital and safety and has worked with multinationals across energy, renewable resources, manufacturing, transport and logistics and the government sector.

8.2 Senior Management

Li-S Energy's Senior Management team also has broad background of experience in early stage companies, publicly listed companies, capital markets and financial, legal, technology and commercial expertise.

Dr Lee John Finniear BSc (Hons), PhD, FAICD. (Age 57) – **Chief Executive Officer**

Appointed Chief Executive Officer on 14 February 2021.

Lee has more than 25 years' experience as a senior executive, including 10 years with Intergraph Corporation, (a US based Fortune 1000 technology company) in roles including Vice President – Asia Pacific, plus 5 years as the Chief Executive Officer and Managing Director of NASDAQ and ASX listed technology company, Metal Storm Limited.[1] Over the past 5 years, Lee has been the founder and director of a company delivering innovative Internet of Things (IoT) products to business and consumer markets. He was also the Vice President – Asia Pacific for a European telecommunications operator with a market focus on automotive manufacturers and enterprise IoT solutions.

Lee has a First Class BSc. (Hons) degree in Civil Engineering and a PhD in Artificial Intelligence and Geographic Information Systems.

1. Metal Storm Limited entered into voluntary administration in 2012.

8. Directors, Senior Management, Corporate Structure and Corporate Governance

continued

Mr Kenneth (Ken) Hostland CA/CPA (Canada), MBA, BCom (Age 63) – **Chief Financial Officer and Joint Company Secretary**

Appointed as Company Secretary on 12 July 2019. Mr Hostland is acting as Chief Financial Officer for Li-S Energy in accordance with an agreement between Li-S Energy and PPK Aust, a subsidiary of PPK Group Limited.

Ken is the Chief Financial Officer of PPK Group Limited and its related mining service companies and the Chief Financial Officer and Company Secretary for BNNTTL, White Graphene Limited, BNNT Precious Metals Limited, Strategic Alloys Pty Ltd, 3 D Dental Technology Pty Ltd and Ballistic Glass Pty Ltd.

Ken has more than 30 years' experience in Australia as a senior finance executive with public and private companies.

Dr Stephen (Steve) Rowlands BSc. (Hons) PhD (Age 52) – **Chief Technology Officer**

Appointed Chief Technology Officer on 12 July 2021.

Steve has over 20 years' experience in the energy storage sector, including the last eight years as Deputy CTO at OXIS Energy, a pioneer of lithium-sulphur battery technology. At OXIS Energy, Steve managed the cathode, electrolyte, cell test engineering and production development teams. He has extensive knowledge of nanomaterials and their effect on the detailed mechanisms of lithium-sulphur technology. Managing the OXIS Energy production development team, he gained detailed knowledge of the scale-up processes required in delivering a pilot production line for lithium-sulphur battery manufacture.

Steve has a First Class BSc. (Hons) degree in Applied Chemistry and a PhD in Electrochemical Supercapacitors for Energy Storage.

Mr Glenn Robert Molloy (Age 66) – **Chief Strategic Advisor**

Appointed as Executive Chairman on 12 July 2019, resigned as Executive Chairman on 19 March 2021 with the appointment of Dr Benjamin Spincer as Chairman. With the appointment of Dr Lee Finniear as the Chief Executive Officer, Mr Molloy has resigned as Director and has been engaged by the Company as Chief Strategic Advisor from 12 June 2021.

Other listed public company directorships held in the last 3 years:

- *Member of the PPK Group Limited Board since listing on 21 December 1994, currently Executive Director, and Chairman of the PPK Group Limited Audit Committee since 14 August 2017.*

Glenn founded PPK Group Limited, then known as Plaspak Group Limited, in 1979 and has acted as a director of PPK Group Limited since that time. He has extensive experience on public company boards, and in advising publicly listed and private entities on commercial aspects of mergers, acquisitions and divestment activities. He is a director of a number of PPK Group Limited's related companies including Executive Chairman of BNNTTL and White Graphene Limited and a Non-Executive Director of BNNT Precious Metals Limited, 3D Dental Technology Pty Ltd, Ballistic Glass Pty Ltd and Craig International Ballistics Pty Ltd.

Mr Andrew Cooke LL.B. FCIS. (age 60) – **Joint Company Secretary**

Appointed as Company Secretary on 8 July 2021. Mr Cooke's services as Joint Company Secretary are provided under a consultancy agreement with Mr Cooke's consultancy company.

Andrew has extensive experience in law, corporate finance and as a Director/Company Secretary of a number of ASX listed companies. Andrew was the Company Secretary for PPK Group Limited for nine years and is responsible for corporate administration together with stock exchange and regulatory compliance.

8.3 Corporate Structure

Li-S Energy is the sole company in its corporate structure and there are no subsidiary companies.

8.4 Directors Interests

(a) Relevant interests

The Directors will have the following relevant interest (held directly or indirectly) in Li-S Energy's Securities following Completion of the Offer (assuming they do not participate in the Offer):

Director	Number of Shares	Number of Service Rights (unvested)	Total Securities	% of Total Securities[1]
Dr Ben Spincer	200,000	720,000	920,000	0.14%
Mr Robin Levison	2,776,867	480,000	3,256,867	0.51%
Mr Tony McDonald	866,961	480,000	1,346,961	0.21%
Ms Hedy Cray	27,201	480,000	507,201	0.08%
Former Director				
Mr Glenn Molloy[2]	6,440,790	0	6,440,790	1.00%
Mr Gregory Pullen[3]	0	0	0	0%

1 On a fully diluted basis, including the Service Rights issued under the NED Equity Plan and Executive Rights Plan.
2 Mr Glenn Molloy resigned as a director on 11 June 2021.
3 Mr Gregory Pullen resigned as a director on 18 March 2021.

Directors (and their associates) may participate in the Offer.

(b) Director Remuneration

Li-S Energy's Constitution provides that Li-S Energy may remunerate each Director as the Board decides, provided that the total amount payable to all Directors may not exceed the amount fixed by Li-S Energy in a general meeting for that purpose.

Li-S Energy must also pay travelling and other reasonable expenses that a Director properly incurs in the performance of their duties. If a Director performs extra or special services for Li-S Energy, Li-S Energy may pay to the Director any special remuneration the Directors decide, in addition to the Director's normal remuneration.

The aggregate total pool for Directors is set at $800,000 and the following table details the total compensation each Non-Executive Director is entitled to receive at the date of this Prospectus in relation to their duties as a Director of Li-S Energy:

Director	Directors' Fees (including superannuation)
Dr Ben Spincer	$120,000
Mr Robin Levison	$80,000
Mr Tony McDonald	$80,000
Ms Hedy Cray	$80,000

Director fees for Ben Spincer include his responsibilities as the Chairman.

The Directors do not receive any additional fees for participation on any Committees.

8. Directors, Senior Management, Corporate Structure and Corporate Governance

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(c) NED Equity Plan

Li-S Energy has adopted the NED Equity Plan under which the Board of the Company may invite Non-Executive Directors to apply for Service Rights to be issued in accordance with, and subject to the terms of the Plan. Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company.

The following table indicates the amount of fees that a NED can sacrifice in return for a grant of Service Rights.

Financial Year (FY)	Fees Sacrifice ($)	Tranche	Number of Service Rights
Non-Executive Directors (NEDs)			
2021	80,000	1	160,000
2022	80,000	2	160,000
2023	80,000	3	160,000
Chairman			
2021	120,000	1	240,000
2022	120,000	2	240,000
2023	120,000	3	240,000

NEDs will sacrifice total Director fees of $80,000 for 160,000 Service Rights and the Chairman will sacrifice total Director fees of $120,000 for 240,000 Service Rights for each Financial Year. There is no amount payable other than the sacrificed fees for the Service Rights.

The number of Service Rights are calculated by dividing the amount of sacrificed fees by the Share price of $0.50 per Share being the price at which Shares were issued in the April 2021 capital raise.

The fair value of these Service Rights at the time that they were granted have been independently valued at $0.50 each.

The Service Rights were issued as at 1 May 2021 and will vest in three equal tranches on 30 April 2022, 2023 and 2024, providing the NED holds the office of NED on those dates. Each consecutive tranche commences annually on the vesting date of the prior tranche.

Service Rights may not be disposed of at any time except by force of law such as on death and Service Rights may not be exercised prior to vesting but may be exercised at any time once they have vested but must be exercised within 90 days of cessation of holding the office of NED and any role as an employee of the Company.

Each Service Right has a term ending 15 years after the grant date. If not exercised before the end of their term the Service Rights will lapse. The term will be reduced if vested Service Rights are not exercised as required following cessation of being a NED.

If a NED ceased to hold the office of a NED during a tranche then Service Rights for that tranche will vest in proportion to the time elapsed as served in the tranche. All subsequent tranches will lapse.

Any unvested Service Rights that do not vest will lapse.

A NED must not enter into an arrangement with anyone if it would have the effect of limiting their exposure to risk in relation to Service Rights (vested or unvested).

If the Board forms the view that a NED has committed an act of fraud, defalcation or gross misconduct in relation to the Company then all unexercised Service Rights will be forfeited.

The Directors believe that accepting Share Rights in lieu of cash remuneration aligns their risk/reward with that of the Shareholders.

(d) Indemnity

Li-S Energy has entered into deeds of access, indemnity and insurance with each Director, which provide:

1. that each Director has a right of access to certain books and records of Li-S Energy; and
2. the terms on which Li-S Energy has agreed to indemnify the Director for liability incurred as an officer of Li-S Energy, to the maximum extent permitted by law.

Li-S Energy may also arrange and maintain directors and officers' insurance for its Directors to the extent permitted by law.

8.5 Senior Management Interests

(a) Executive Rights Plan

Li-S Energy has adopted a plan called the Li-S Energy Limited Executive Rights Plan (**Executive Rights Plan**) under which the Board of the Company may invite certain eligible persons, to apply for Service Rights to be issued in accordance with, and subject to the terms of, the Executive Rights Plan.

Each Service Right is an entitlement, upon vesting and exercise, to an ordinary fully paid Share in the Company.

The Board may at any time by written instrument, or by resolution of the Board, amend or repeal all or any of the provisions of the Plan.

Non-Executive Directors are excluded from Participation in the Plan.

As at the date of this Prospectus, the following Service Rights have been granted under the Executive Rights Plan to Senior Management:

Senior Management	Number of Service Rights (unvested)
Dr Lee Finniear	1,000,000
Mr Glenn Molloy	0
Mr Andrew Cooke	0
Mr Ken Hostland	0
Dr Steve Rowlands	0

On 12 November 2020 Dr Lee Finniear was granted 1,000,000 Service Rights which vest in four equal tranches on 30 April 2022, 2023, 2024 and 2025, subject to continuity of his engagement during the Measurement Periods. The Service Rights have a nil exercise price. Each consecutive tranche commences annually on the vesting date of the prior tranche

The Service Rights may not be disposed of at any time except by force of law such as on death and Service Rights may not be exercised prior to vesting but may be exercised at any time once they have vested but must be exercised within 90 days of cessation of being an employee of the Company.

Each Service Right has a term ending 15 years after the grant date. If not exercised before the end of their term the Service Rights will lapse. The term will be reduced if vested Service Rights are not exercised as required following cessation of being an employee of the Company.

8. Directors, Senior Management, Corporate Structure and Corporate Governance

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If Dr Lee Finniear ceases his employment during a tranche then Service Rights for that tranche will vest in proportion to the time elapsed as served in the tranche. All subsequent tranches will lapse.

Any unvested Service Rights that do not vest will lapse.

Dr Lee Finniear must not enter into an arrangement with anyone if it would have the effect of limiting his exposure to risk in relation to Service Rights (vested or unvested).

If the Board forms the view that Dr Lee Finniear has committed an act of fraud, defalcation or gross misconduct in relation to the Company then all unexercised Service Rights will be forfeited.

The fair value of these Service Rights at the time that they were granted have been independently valued at $0.065 each.

(b) Indemnity

Li-S Energy has entered into a deeds of access, indemnity and insurance with Dr Lee Finniear, Mr Ken Hostland and Mr Andrew Cooke (**Officers**), which provides:

1. that each Officer has a right of access to certain books and records of Li-S Energy; and
2. the terms on which Li-S Energy has agreed to indemnify the Officers for liability incurred as officers of Li-S Energy, to the maximum extent permitted by law.

Li-S Energy may also arrange and maintain directors' and officers' insurance for its officers to the extent permitted by law.

8.6 Corporate Governance

The Li-S Energy Board of Directors is committed to the principles underpinning good corporate governance applied in a manner which is most suited to Li-S Energy, and to best addressing the Directors' accountability to Shareholders and other stakeholders. This is supported to an overriding organisation-wide commitment to the highest standards of legislative compliance and financial and ethical behaviour.

The Li-S Energy Board of Directors have developed and implemented policies, procedures and practices and has made these publicly available on its website www.lis.energy in a concerted effort to foster a culture of transparency in the way the Company is directed and managed and as a demonstration of its overall commitment to good governance principles.

The Conduct of the Board is also governed by the Li-S Constitution, a copy of which is located in the designated corporate governance area of the Company's website.

Li-S Energy's corporate governance framework is structured with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition) (**Principles and Recommendations**).

This Section 8.6 outlines how the Board intends to oversee the management of Li-S Energy's business in accordance with those Principles and Recommendations.

Except as noted below, the Board does not expect that it will depart from the Principles and Recommendations as they apply on Completion of the Offer. However, the Board may elect to do so in the future if it believes that such departure would be reasonable in the circumstances.

Principles and Recommendations		Li-S Energy Compliance/Departures
Principle 1 — Lay solid foundations for management and oversight		
1.1	**Have and disclose a board charter which establishes the functions expressly reserved to the Board and those delegated to management and discloses those functions.**	The Board of Directors has been charged by Shareholders with overseeing the affairs of Li-S Energy to ensure that they are conducted appropriately and in the interests of all Shareholders. The Board defines the strategic goals and objectives of Li-S Energy, as well as broad issues of policy and establishes an appropriate framework of Corporate Governance within which the Board members and management must operate. The Board reviews, monitors and challenges management holding them to account for Li-S Energy's performance. The Board has also taken responsibility for establishing control and accountability systems/processes and for monitoring senior executive performance and implementation of strategy. The roles and responsibilities of the Board have been set out in a Board Charter which is available on Li-S Energy's website. Amongst other things the Board Charter sets out the role and responsibility of the chair of the Board.

8. Directors, Senior Management, Corporate Structure and Corporate Governance

continued

Principles and Recommendations	Li-S Energy Compliance/Departures
	The roles and responsibilities of the Board have been set out in a Board Charter which is available on Li-S Energy's website. Amongst other things the Board Charter sets out the role and responsibility of the chair of the Board. In the pursuit of its stated goal, the Li-S Energy Board is responsible for: a. oversight of the Company, including its control and accountability systems; b. setting the Company's major goals including the strategies and financial objectives to be implemented by management; c. appointing, removing, and controlling the CEO or Managing Director; d. ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and/or Company Secretary; e. input into and final approval of management's development of corporate strategy and performance objectives; f. reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance and ensuring that these instil the Company's values; g. monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available; h. approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures; i. approving and monitoring financial and other reporting; and j. corporate governance. The Board currently delegates operational authority to the Chief Executive Officer and his management team who are charged with the day to day running and administration of Li-S Energy consistent with the strategic objectives and policies as set down by the Board to enable the Board to perform its responsibilities. Within this framework, the Chief Executive Officer is directly accountable to the Board for the performance of the management team.

Principles and Recommendations		Li-S Energy Compliance/Departures
1.2	**Undertake appropriate checks before appointing a person as a director or senior executive or putting someone forward as a director and provide shareholders with all material information relevant to a decision on whether or not to elect or re-elect a director.**	Li-S Energy undertakes checks before it appoints a person, or puts forward to Shareholders a new candidate for election, as a Director. These checks include references as to the person's character, experience and education. Li-S Energy does not propose to check criminal records or the bankruptcy history for potential new Board members however may consider such checks where necessary or appropriate in the future. Li-S Energy will include all material information in its possession relevant to a decision whether or not to elect or re-elect a Director in the relevant notice of meeting including biographical details, relevant qualifications, experience, skills and other material directorships currently held. Information relating to each of the Directors is also provided on Li-S Energy's website.
1.3	**Have a written agreement with each director and senior executive setting out the terms of their appointment.**	Li-S Energy has established written agreements with its Non-Executive Directors which set out the terms of their appointment. Directors are not appointed for a fixed term but are, excluding any Managing Director, subject to re-election by Shareholders at least every three years in accordance with the Constitution of Li-S Energy. A Director appointed to fill a casual vacancy or as an addition to the Board, only holds office until the next annual general meeting of Shareholders and must then retire. Prior to their appointment potential directors participate in induction initiatives and are advised of the time commitment envisaged based on scheduled monthly Board meetings and committee involvement as may be required. They are also advised on remuneration entitlements, their right to seek independent legal advice at the expense of Li-S Energy (subject to the Chairman's approval) and indemnity and insurance arrangements, and their confidentiality obligations.
1.4	**The company secretary should be accountable directly to the Board on all matters to do with the proper functioning of the Board.**	Each Company Secretary has been appointed on the basis that he will be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board. All Directors of the Board have access to each Company Secretary who is appointed by the Board. Each Company Secretary reports to the Chairman, in particular to matters relating to corporate governance.

8. Directors, Senior Management, Corporate Structure and Corporate Governance

continued

Principles and Recommendations		Li-S Energy Compliance/Departures
1.5	**Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period.**	Li-S Energy has established a Diversity Policy Statement which is available on Li-S Energy's website. Li-S Energy is committed to an inclusive workplace that embraces and promotes diversity and believes that the promotion of diversity on its Board and within the organisation generally is good practice. Diversity at Li-S Energy refers to all the characteristics that make individuals different from each other. It includes characteristics or factors such as religion, race, ethnicity, language, gender, sexual orientation, disability, age or any other area of potential difference. Li-S Energy values the unique contributions made by people with diverse backgrounds, experiences and perspectives, and believes that greater diversity of thought throughout the organisation will lead to more informed decision making and ultimately better business outcomes. Li-S Energy's policy is to recruit and manage its employees on the basis of their competence, performance and potential, regardless of the individual's background or points of difference. Diversity at Li-S Energy is about the commitment to equality and the treating of all individuals with respect. Li-S Energy is committed to promoting a culture of diversity in the workplace by: – recruiting and managing on the basis of an individual's competence and performance; – respecting the unique attributes that each individual brings to the workplace; – fostering an inclusive and supportive culture to enable people to develop to their full potential;

Principles and Recommendations		Li-S Energy Compliance/Departures
		– taking action to prevent and stop bullying, discrimination or harassment; – rewarding and remunerating fairly; – offering flexible work practices which recognise that employees may have different domestic responsibilities throughout their career; – maintaining policies and procedures to provide employees at all levels of the Company with guidelines for behaviour. The Company's commitment to diversity forms part of the Company's culture dedicated to retaining the best qualified employees, management and Board. The Company's commitment applies in all phases of employee engagement including recruitment, selection, development, promotion, rewards and remuneration. The Board acknowledges the benefits of and will seek to achieve diversity during the process of employment at all levels without detracting from the principal criteria for selection and promotion of people to work within Li-S Energy based on merit. Accordingly, Li-S Energy has not established measurable objectives or number targets for achieving gender diversity.
1.6	**Have a process for periodically evaluating the performance of the Board, its committees and individual directors, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.**	The Board has an established process of self-review and evaluation which involves regular and on-going consideration of all the Board's key areas of responsibility and accountability. Relevant matters considered in the assessment of Board and individual Director performance are set out in detail in the Performance Evaluation Processes available on Li-S Energy's website. The Chairman meets periodically with individual Directors to discuss the performance of the Board. In addition, an evaluation is undertaken by the Chairman of the contribution of Directors retiring by rotation prior to the Board endorsing their candidature. The review process involves consideration of all of the Board's key areas of responsibility and accountability and is based on an amalgamation of factors including capability, skill levels, understanding of industry complexities, risks and challenges, and value adding contribution to the overall management of the business. The Board believes that this approach is appropriate given its size and the nature of Li-S Energy's operations.
1.7	**Have a process for periodically evaluating the performance of the company's senior executives at least once every reporting period, and disclose that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period.**	The Board reviews and establishes Li-S Energy's performance objectives and measures based on qualitative and quantitative factors. The objectives established become the performance targets for the Chief Executive Officer and Senior Management. The performance of the Chief Executive Officer is assessed by the full Board against these pre-determined performance objectives. The Chief Executive Officer, in consultation with the Board, establishes the performance objectives of Senior Management within the Company based on the desired business outcomes. The Chief Executive Officer makes recommendations to the full Board on the remuneration of Senior Management which are reviewed and approved by the Board. The Board is responsible for approving the performance objectives and measures for the Chief Executive Officer and Senior Management and assessing whether these objectives have been satisfied.

8. Directors, Senior Management, Corporate Structure and Corporate Governance

continued

Principles and Recommendations		Li-S Energy Compliance/Departures
Principle 2 — Structure the Board to be effective and add value		
2.1	**The Company should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director. The functions and operations of the nomination committee should be disclosed.**	Due to the size of the Company and the number of Board members, the Board does not have a formal nomination committee. New Directors are selected according to the needs of Li-S Energy at that particular time, the composition and the balance of experience on the Board as well as the strategic direction of Li-S Energy. Where a vacancy arises or it is considered appropriate to vary the composition of the Board of Directors, the full Board generally participates in any review of the Board's composition and the qualifications and experience of candidates. Directors are selected upon the basis of their specialist skills and business background so as to provide an appropriate mix of skills, perspective and business experience.
2.2	**Have and disclose a Board skills matrix, setting out what the Board is looking to achieve in its membership.**	The Board does not maintain a formal Board skills matrix however it does review its composition from time to time taking into account the length of service on the Board, age, skills, qualifications and experience, and in light of the needs and direction of Li-S Energy, together with such other criteria considered desirable for the composition of a balanced Board and the overall interests of Li-S Energy. Li-S Energy's Board has a broad background of experience in early stage companies, publicly listed companies, capital markets, innovative technologies, business development, finance and accounting, governance and compliance, legal, risk management and commercial expertise.
2.3	**Disclose the names of the directors that the Board considers to be independent directors, and an explanation of why the Board is of that opinion if a factor that impacts on independence applies to a director and disclose the length of service of each director.**	At the date of this Prospectus, the Board comprises four Non-Executive Directors. The Directors believe it is in the best interests of Li-S Energy to maintain a small but efficient Board with at least three Non-Executive Directors. Matters relevant to a Director's independence are set out in detail in the Independent Director Assessment available on Li-S Energy's website. Dr Ben Spincer, Mr Tony McDonald and Ms Hedy Cray are considered to be independent Directors. The Board observes a number of practices to ensure that independent judgement is applied when considering the business of the Board: – Directors are entitled to seek independent professional advice at Li-S Energy's expense. Prior written approval of the Chairman is required but this is not unreasonably withheld. – Directors having a conflict of interest with an item for discussion by the Board must not participate in the consideration of or the vote in respect of that matter. Details of each Directors experience and length of service can be found on Li-S Energy's website and are also are set out on an annual basis in the Directors' Report contained in the Company's Year End Financial Report which is released to the market and posted on Li-S Energy's website. Dr Ben Spincer is considered to be independent as the Directors (other than Dr Ben Spincer) consider he is free from any business or other relationship that could materially interfere, or reasonably be perceived to interfere, with the independent exercise of his judgement. Deakin holds 13.88% of the total issued Shares in Li-S Energy as at the date of this Prospectus. Although Ben is currently the Executive Director of Deakin Research Innovations, he does not have power to exercise or control the exercise of Deakin's rights to vote attached to its Shares or to dispose the Shares held by Deakin. Both Deakin and Li-S Energy have policies and procedures in place to manage conflicts of interests. Ben has been a Director of Li-S Energy since 18 March 2021.

Principles and Recommendations		Li-S Energy Compliance/Departures
		Mr Robin Levison is not considered to be independent as the Directors (other than Mr Robin Levison) consider that the size of his current relevant interests in Li-S Energy and PPK Group Limited and his role as Executive Chairman of PPK Group Limited could materially interfere, or reasonably be perceived to interfere, with the independent exercise of his judgement. PPK Group Limited's wholly owned subsidiary, PPK Aust, holds 48.46% of the total issued Shares in Li-S Energy as at the date of this Prospectus. Robin has been a Director of Li-S Energy since 12 July 2019. Mr Tony McDonald is considered to be independent as the Directors (other than Mr Tony McDonald) consider he is free from any business or other relationship that could materially interfere, or reasonably be perceived to interfere, with the independent exercise of his judgement. Mr McDonald is a Non-Executive Director of PPK Group Limited and holds 409,120 shares and 50,000 performance rights representing 0.52% of the total number of shares on issue in PPK Group Limited. Although Tony is a director of PPK Group Limited and has relevant interests in PPK Group Limited, he is a Non-Executive Director of PPK Group Limited's board of four directors and does not have power to exercise or control the exercise of PPK Aust's rights to vote attached to its Shares or to dispose the Shares held by PPK Aust. Both PPK Group Limited and Li-S Energy have policies and procedures in place to manage conflicts of interests. Tony has been a Director of Li-S Energy since 12 July 2019. Ms Hedy Cray is considered to be independent as the Directors (other than Ms Hedy Cray) consider she is free from any business or other relationship that could materially interfere, or reasonably be perceived to interfere, with the independent exercise of her judgement. Hedy has been a Director of Li-S Energy since 21 April 2021.
2.4	**A majority of the Board should be independent directors**	As at the date of this Prospectus, Li-S Energy complies with this recommendation as the Board is comprised of four Directors, three of which are independent Directors.
2.5	**The chair of the Board should be an independent director and should not be the Chief Executive Officer.**	The Chairman Dr Ben Spincer is considered to be an independent Director and accordingly the Company complies with this recommendation.

8. Directors, Senior Management, Corporate Structure and Corporate Governance

continued

Principles and Recommendations		Li-S Energy Compliance/Departures
2.6	**There should be a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.**	Li-S Energy provides new Directors with an induction package including copies of the Board Charter and relevant policies and procedures. Directors are encouraged to pursue appropriate professional development opportunities to develop and maintain their skills and knowledge in order to perform their role as Directors effectively.
Principle 3 — Instil a culture of acting lawfully, ethically and responsibly		
3.1	**Articulate and disclose the Company's values.**	Li-S Energy's Board recognises the need to have the highest standards of corporate practice and business conduct. Accordingly, Li-S Energy Board's core values are set out in the Code of Conduct for Directors & Officers and a Code of Conduct & Ethics for all employees as noted in recommendation 3.2 below.
3.2	**Have a code of conduct for the Board, senior executives and employees, disclose that code or a summary of that code and ensure that the Board or committee of the Board is informed of any material breaches of that code.**	The Board of Li-S Energy has adopted a Code of Conduct for Directors & Officers of Li-S Energy to demonstrate the commitment of Li-S Directors and Senior Management to ethical practices and the highest standards of integrity in the fulfilment of their respective roles and responsibilities. It outlines the expectations of Li-S Energy's Directors and employees, their legal obligations and responsibility to investigate and report unethical practices. The Board of Li-S has adopted a Code of Conduct & Ethics which is applicable to all employees and which the Board expects to govern the way in which the Company's employees conduct themselves in the performance of their respective duties and in communicating with the stakeholders of the Company's business. The Code of Conduct for Directors & Officers and the Code of Conduct & Ethics are available on Li-S Energy's website. The Board has also developed a policy governing Director and employee dealing in Li-S Energy's securities, the purpose of which is to guide Directors and employees in the performance of their duties and to define the circumstances in which Directors and Li-S Energy's employees, and their respective associates, are permitted to deal in Li-S Energy's securities. Although Li-S Energy has also adopted a diversity policy which seeks to promote diversity amongst the Directors and employees, including gender diversity, the Board does not intend to set measurable objectives for achieving gender diversity. It is the Board's policy that gender discrimination has no position in the workplace and that men and women must be treated equally and without any discrimination. It is the Board's belief that employment should be on a merit-based system only.

Principles and Recommendations		Li-S Energy Compliance/Departures
3.3	**Have and disclose a whistle-blower policy and ensure that the Board or a committee of the Board is informed of any material incidents reported under that policy.**	Li-S Energy's Board is committed to the establishment and maintenance of appropriate ethical standards and to conducting all of Li-S Energy's business activities fairly, honestly with integrity, and in compliance with all applicable laws, rules and regulations. In addition, Li-S Energy encourages reporting of actual and suspected violations of Li-S Energy's code of conduct or other instances of illegal, unethical or improper conduct. Li-S Energy's Board provides effective protection from victimisation or dismissal to those reporting such conduct as set out in its Whistleblower Protection Policy and a copy is available on Li-S Energy's website. Any reportable matter can be reported under this policy to the Chairman, the Chief Executive Officer or an immediate supervisor, noting it may depend on the matter and the person who is the subject of the matter. Li-S Energy's Board will be informed of any material incidents reported under this policy, subject to the confidentiality provisions of this policy.
3.4	**Have and disclose an anti-bribery and corruption policy and ensure that the Board or a committee of the Board is informed of any material breaches of that policy.**	Li-S Energy's Board is committed to preventing any form of bribery or corruption and to upholding all laws relevant to these issues. Li-S Energy's Board has adopted an Anti-Bribery and Corruption Policy and a copy is available on Li-S Energy's website. Li-S Energy's Board has overall responsibility for ensuring this policy complies with the Company's legal and ethical obligations, and that all personnel comply with it. The Board will be informed on any material incidents reported under this policy and employees are encouraged to raise concerns about any issue or suspicion of malpractice at the earliest possible stage.
Principle 4 — Safeguard the integrity of corporate reports		
4.1	**The Company should have an audit committee, which consists of only nonexecutive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the Board and has at least three members. The functions and operations of the audit committee should be disclosed.**	The Audit Committee is comprised of Ms Hedy Cray (Committee Chair), Mr. Tony McDonald and Mr Robin Levison. Ms Cray and Mr McDonald are Non-Executive independent Directors. Mr Robin Levison is a Chartered Accountant and has previously been an audit committee member for PPK Group Limited. Mr McDonald is an audit committee member for PPK Group Limited. The Board has established Terms of Reference for the Audit Committee. The Terms of Reference set out in detail the purpose, composition and membership, meeting procedures, roles and responsibilities of the committee and the authorities of the committee. The Terms of Reference are available on Li-S Energy's website. Details relating to the relevant qualifications and experience of the members of the committee and the number of times the committee met throughout the reporting period and the individual attendances of the members at those meetings are set out on an annual basis in the Directors Report contained in the Company's Year End Financial Report which is released to the market and posted on Li-S Energy's website.

8. Directors, Senior Management, Corporate Structure and Corporate Governance

continued

Principles and Recommendations		Li-S Energy Compliance/Departures
4.2	**The Board should, before approving financial statements for a financial period, receive a declaration from the Chief Executive Officer and Chief Financial Officer that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, formed on the basis of a sound system of risk management and internal controls, operating effectively.**	The persons performing the functions of Chief Executive Officer and Chief Financial Officer will report in writing to the Board on a yearly and half-yearly basis to confirm that: a. the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards; b. Li-S Energy's financial statements are complete and present a true and fair view, in all material respects, of the financial condition and performance of Li-S Energy; and c. the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that Li-S Energy's risk management and internal controls are operating effectively in all material respects.
4.3	**The Company should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.**	Li-S Energy's Board reviews any periodic corporate reports, obtains validation of information it considers necessary and appropriate before releasing it to the market. Validation may include detailed review of management's assessment of information presented and/or independent review by a third party with the appropriate knowledge and expertise.
Principle 5 — Make timely and balanced disclosure		
5.1	**Have and disclose a written policy for complying with continuous disclosure obligations under the ASX Listing Rules and disclose that policy or a summary of it.**	The Li-S Energy's Board is committed to keeping its Shareholders, and the market, fully informed of major developments having an impact on the Company. Li-S Energy has a Shareholder Communications and Continuous Disclosure Policy which is available on Li-S Energy's website. Comprehensive procedures are in place to identify matters that are likely to have a material effect on the price, or value, of the Li-S Energy's securities and to ensure those matters are notified to the ASX in accordance with ASX Listing Rule disclosure requirements. Li-S Energy's Senior Management and Board are responsible for scrutinising events and information to determine whether the disclosure of the information is required in order to maintain the market integrity of Li-S Energy's Shares listed on the ASX. The Company Secretary is responsible for all communications with the ASX.
5.2	**Ensure that its Board receives copies of all material market announcements promptly after they have been made.**	All announcements on the ASX Market Announcements Platform are electronically updated to the Li-S Energy website and all Directors receive a copy of any announcements.
5.3	**Where the Company gives a new and substantive investor or analyst presentation, release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.**	All investor or analyst presentations are approved by the Chief Executive Officer or a Director and provided to the Company Secretary for lodgement on the ASX Market Announcements Platform before a presentation occurs.

Principles and Recommendations		Li-S Energy Compliance/Departures
Principle 6 — Respect the rights of security holders		
6.1	**Provide information about the Company and its governance to investors via its website.**	Information about Li-S Energy and its governance are available on the Company's website. The Company's website provides detailed corporate information and has a specific section relating to corporate governance.
6.2	**Design and implement an investor relations program to facilitate effective two-way communication with investors.**	Li-S Energy recognises the right of Shareholders to be informed of matters, in addition to those prescribed by law, which affect their investments in Li-S Energy. Li-S Energy has a Shareholder Communications and Continuous Disclosure Policy which is available on the Company's website. Li-S Energy communicates information to Shareholders through: – disclosures to the ASX including Li-S Energy's Annual Report; – notices and explanatory memoranda of Annual General Meetings and general meetings; and – the Company's website at www.lis.energy It is Li-S Energy's communication policy to communicate with Shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of Li-S Energy. Investors and other stakeholders are invited to subscribe to an email alert facility on Li-S Energy's website so that they can receive material announcements which have been released by Li-S Energy to the market via an email in a timely manner.
6.3	**Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.**	The Board encourages active participation by Shareholders at each Annual General Meeting, or other general meetings of Li-S Energy. Li-S Energy does not have formal policies or processes in place to facilitate or encourage participation at Shareholder meetings. The Company will despatch a notice of meeting and explanatory statement to Shareholders in accordance with statutory requirements. In addition, details of any Shareholder meeting will be posted on Li-S Energy's website. At any meeting of Shareholders, Shareholders are encouraged to ask questions of the Board in relation to the matters to be considered at such meeting and where appropriate relating to the business and operation of Li-S Energy. Li-S Energy's auditor will attend the annual general meeting and will be available to answer Shareholders' questions.
6.4	**Ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.**	Li-S Energy's Board encourages security holders who do not plan to attend a meeting to vote a proxy form online, by email or mail for substantive resolutions. Li-S Energy Directors will monitor the response from security holders prior to the closing date for receipt of proxies and will follow up with large shareholders to encourage them to vote. At Shareholder meetings, the chair will seek a poll rather than a show of hands to determine to voting outcome.

8. Directors, Senior Management, Corporate Structure and Corporate Governance

continued

Principles and Recommendations		Li-S Energy Compliance/Departures
6.5	**Give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically.**	Li-S Energy provides Shareholders with the option to receive communications from, and send communications to, the entity and its security registry electronically.
Principle 7 — Recognise and manage risk		
7.1	**The Board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the risk committee should be disclosed.**	The full Board of Li-S Energy maintains responsibility to oversee risk and accordingly has not established a committee for this purpose. The Audit Committee assists the Board in this role by reviewing the financial and reporting aspects of Li-S Energy's risk management and control practices. The Board has established a Risk Oversight and Management Framework. In accordance with this framework the Board of Li-S Energy: – recognises that effective management of risk is an integral part of good management and vital to the continued growth and success of Li-S Energy; – is responsible for the oversight of Li-S Energy's risk management and control framework including the development of risk profiles as a part of the overall business and strategic planning process; and – has implemented policies designed to ensure that the Company's risks are identified, analysed, evaluated, monitored, and communicated within the organisation on an on-going basis, and that adequate controls are in place and functioning effectively. The Risk Oversight & Management Framework incorporates the maintenance of appropriate policies, procedures and guidelines which address Li-S Energy's operating environment and is utilised by the Board as a means of identifying the: – strengths, weaknesses, opportunities and threats influencing, or having the potential to influence, Li-S Energy's business; and – appropriate oversight strategies to implement in respect of the key risk and opportunity factors confronting Li-S Energy to avoid or mitigate losses.

Principles and Recommendations		Li-S Energy Compliance/Departures
		The Chief Executive Officer has ultimate responsibility for control and management of operational risk and the implementation of avoidance or mitigation measures within Li-S Energy and may delegate control of these risks to the appropriate level of management. The Board regularly monitors the operational and financial performance of Li-S Energy and against budget and other key performance measures. The Board also receives and reviews advice on areas of operational and financial risk and develops strategies, in conjunction with management, to mitigate those risks. Reports are presented to the Board by the Chief Executive Officer, the Chief Financial Officer and relevant senior executives on a regular basis. The reports encompass matters including actual financial performance against budgeted forecasts, technology development, workplace health and safety, legal compliance, corporate governance, strategy, quality assurance and standards, human resources, industry and market information, operational developments and environmental conformance. Reports are prepared and submitted by the Chief Financial Officer at each Board meeting in relation to the overall financial position and performance of Li-S Energy. In addition to formalised written reporting procedures, the Board is regularly briefed by the Chief Executive Officer, the Chief Financial Officer and senior management on emerging or developed trends in market and operational conditions having the potential to impact on the overall performance of the Company.
7.2	**The Board or a committee of the Board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board and disclose, in relation to each reporting period, whether such a review has taken place.**	The Board has reviewed Li-S Energy's risk management framework in the preparation of this Prospectus. The Chief Executive Officer and the Chief Financial Officer review and confirm to the Board that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects twice annually when half-yearly and year-end financial statements are prepared.
7.3	**Disclose if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the Company employs for evaluating and continually improving the effectiveness of its governance risk management and internal control processes.**	In light of the nature and extent of Li-S Energy's operations and activities, the Company has not established a formal internal audit function. The Board continuously reviews the activities of Li-S Energy to identify key business and operational risks and has implemented policies and procedures to address such risks and to establish appropriate internal control processes. The Board is provided with regular reporting on the management of operations and the financial condition of Li-S Energy aimed at ensuring that risks are identified, assessed and appropriately managed as and when they arise.

8. Directors, Senior Management, Corporate Structure and Corporate Governance

continued

Principles and Recommendations		Li-S Energy Compliance/Departures
7.4	**Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks.**	The Board manages environmental and social risks that it has identified with the objective of positioning Li-S Energy to operate without compromising the health of the ecosystems in which it operates. The Board is equally conscious of ensuring that it conducts its business in a manner that meets accepted social norms and needs. Areas of economic risks that have been identified by Li-S Energy include: – research and development risk relating to innovative technologies; – commercialisation of new technologies; – current and potential competitors in a rapidly changing environment; – manufacturing limitations and constraints; – marketing and demand for new products; – domestic and international economic conditions; – material and sustained interest rate and foreign exchange fluctuations; – retention of technical and management skill and up to date technology; and – asset protection including intellectual property. Beyond the risks identified in Section 11.1(k) and above, the Board does not believe that the Company has material exposure to environmental and social risks. Li-S Energy promotes the highest ethical and professional standards. As a company with a reputation for fair and responsible dealing with stakeholders (including security holders, research institutions, customers, employees and government regulatory authorities) the Board demands that the highest standard of ethical behaviour be maintained and fostered throughout the Company. Li-S Energy requires a culture and system of compliance and accountability to be maintained throughout the Company and for all employees to take pride in this underlying ethical basis of the Company, acting legally and responsibly in all matters. Li-S Energy seeks to comply with the spirit as well as the letter of all applicable laws and regulations (both domestic and foreign) and where appropriate evaluate actions in a broader social context while still conducting its businesses in an efficient, well-ordered and systematic manner, giving due consideration to the goal of maximising returns for its Shareholders.
Principle 8 — Remunerate fairly and responsibly		
8.1	**The Board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the remuneration committee should be disclosed.**	Li-S Energy's Board has not established a formal remuneration committee as Li-S Energy initially has a small number of employees and remuneration matters relating to executive Directors, the Chief Executive Officer and Senior Management are considered and determined by the full Board where appropriate.

Principles and Recommendations		Li-S Energy Compliance/Departures
8.2	**The policies and practices regarding the remuneration of Non-Executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed.**	The aggregate remuneration pool of Non-Executive Directors is set at $800,000. Individual Directors' remuneration is determined by the Board within the approved aggregate total. In determining the appropriate level of Director's fees, data from surveys undertaken of other public companies similar in size or market section to Li-S Energy and input from an external executive remuneration consultant are taken into account. Non-Executive Directors of Li-S Energy are: – not entitled to participate in performance-based remuneration practices unless approved by Shareholders; and – currently remunerated by means of the payment of Service Rights in lieu of cash benefits in the form of Directors' fees. Other than as disclosed in this Prospectus, Li-S Energy may remunerate Non-Executive Directors for past performance undertaken or for future service by the granting of rights but other than as disclosed in this Prospectus, these will be approved by Shareholders. Li-S Energy does not currently have in place a retirement benefit scheme or allowance for its Non-Executive Directors. A review of the compensation arrangements for the Non-Executive Directors, the Chief Executive Officer and Senior Management is conducted on a regular basis by the full Board and is based on criteria including the individual's performance, market rates paid for similar positions and the results of Li-S Energy during the relevant period. The broad remuneration policy objective of Li-S Energy is to ensure that: a. the Chief Executive Officer and Senior Management are aligned with Shareholders and business objectives by providing a fixed remuneration component, specific short term incentives based on key performance areas affect Li-S Energy's financial results and long term incentives based on achieving specific Shareholder value metrics; and b. the emoluments provided properly reflect the person's duties and responsibilities and is designed to attract, retain and motivate executives of the highest possible quality and standard in Li-S Energy's prevailing circumstances to enable Li-S Energy to succeed.
8.3	**If the Company has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.**	Li-S Energy has in place a NED Equity Plan and Executive Rights Plan that prohibits participants in those plans from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Corporations Act prohibits the key management personnel of an ASX listed company established in Australia, or a closely related party of such personnel, from entering into an arrangement that would have the effect of limiting their exposure to risk relating to an element of their remuneration that either has not vested or has vested but remains subject to a holding lock.

8. Directors, Senior Management, Corporate Structure and Corporate Governance

continued

Key Policies

The Board is responsible for the overall governance of Li-S Energy, including providing overall strategic guidance to Li-S Energy, providing effective oversight of management and monitoring the operational and financial position of Li-S Energy.

In addition to the Independent Director Assessment and Performance Evaluation Process documents, Li-S Energy has adopted various charters and policies that outline and support the Board in the performance of this role, and ensure that there is an appropriate corporate governance framework in place, some of which will take effect from Completion of the Offer.

Li-S Energy's key policies and the charters of the Board and each of its committees are summarised below and are otherwise available from Li-S Energy's website at (www.lis.energy).

(a) Board Charter

The Board Charter sets out the role, structure and responsibilities of the Board. The charter seeks to promote good governance and protect the interests of Li-S Energy for the benefit of its Shareholders, employees, customers and the broader community.

(b) Remuneration Policy for Directors & Senior Executives

The Remuneration Policy for Directors & Senior Executives outlines the general terms and conditions of remuneration for Li-S Energy Directors, executives and Senior Management and was developed by the Li-S Energy Board with input from an external executive remuneration consultant.

(c) Risk Oversight & Management Framework

The Risk Oversight & Management Framework is designed to ensure Li-S Energy's risk are identified, analysed, evaluated, monitored and communicated within the Company on an ongoing basis, and that adequate controls are in place and functioning effectively.

(d) Code of Conduct for Directors & Officers

The Code of Conduct for Directors & Officers has been developed to demonstrate the commitment of Li-S Energy Directors and key executives to ethical practices and the highest standards of integrity in the fulfilment of their respective roles and responsibilities. The Code of Conduct outlines requirements in respect of a range of issues including primary obligations to act with honesty, integrity, fairness, equity and in compliance with all laws, rules, regulations and this Code of Conduct.

(e) Code of Conduct & Ethics

The Code of Conduct sets out Li-S Energy's values, guiding principles and expected standards of the Board and all employees and contractors of the Company. The Code of Conduct outlines requirements in respect of a range of issues including dealing with conflicts of interest, bullying, harassment and discrimination.

(f) Audit Committee Charter

The Audit Committee Charter details the role of the internal committee which is to oversee the processes for financial reporting and compliance, risk management and external audit.

(g) Shareholder Communications and Continuous Disclosure Policy

The Shareholder Communications and Continuous Disclosure Policy sets out how Li-S Energy will comply with the continuous disclosure requirements of the ASX Listing Rules and how Shareholders are to be communicated with and informed of all material developments in respect of Li-S Energy.

(h) Continuous Disclosure Policy

The Continuous Disclosure Policy contained in the Market Disclosure Policy sets out how Li-S Energy will comply with the continuous disclosure requirements of the ASX Listing Rules and how Shareholders are to be informed of all material developments in respect of Li-S Energy.

(i) Diversity Policy

The Diversity Policy recognises the benefits of diversity and expresses Li-S Energy's commitment to diversity.

Although Li-S Energy seeks to promote diversity, including gender diversity, the Board does not intend to set measurable objectives for achieving gender diversity. It is the Board's policy that gender discrimination has no position in the workplace and that men and women must be treated equally and without any discrimination. It is the Board's belief that employment should be on a merit-based system only.

(j) Environmental and Social Policy

The Environment and Social Policy is designed to identify, analyse, evaluate, monitor and report on any material exposure to environmental or social risks as part of the Risk Oversight and Management Framework. Li-S Energy is committed to integrating environmental and social considerations into its business activities as well as contributions to sustainable development and reporting on these.

(k) Security Trading Policy

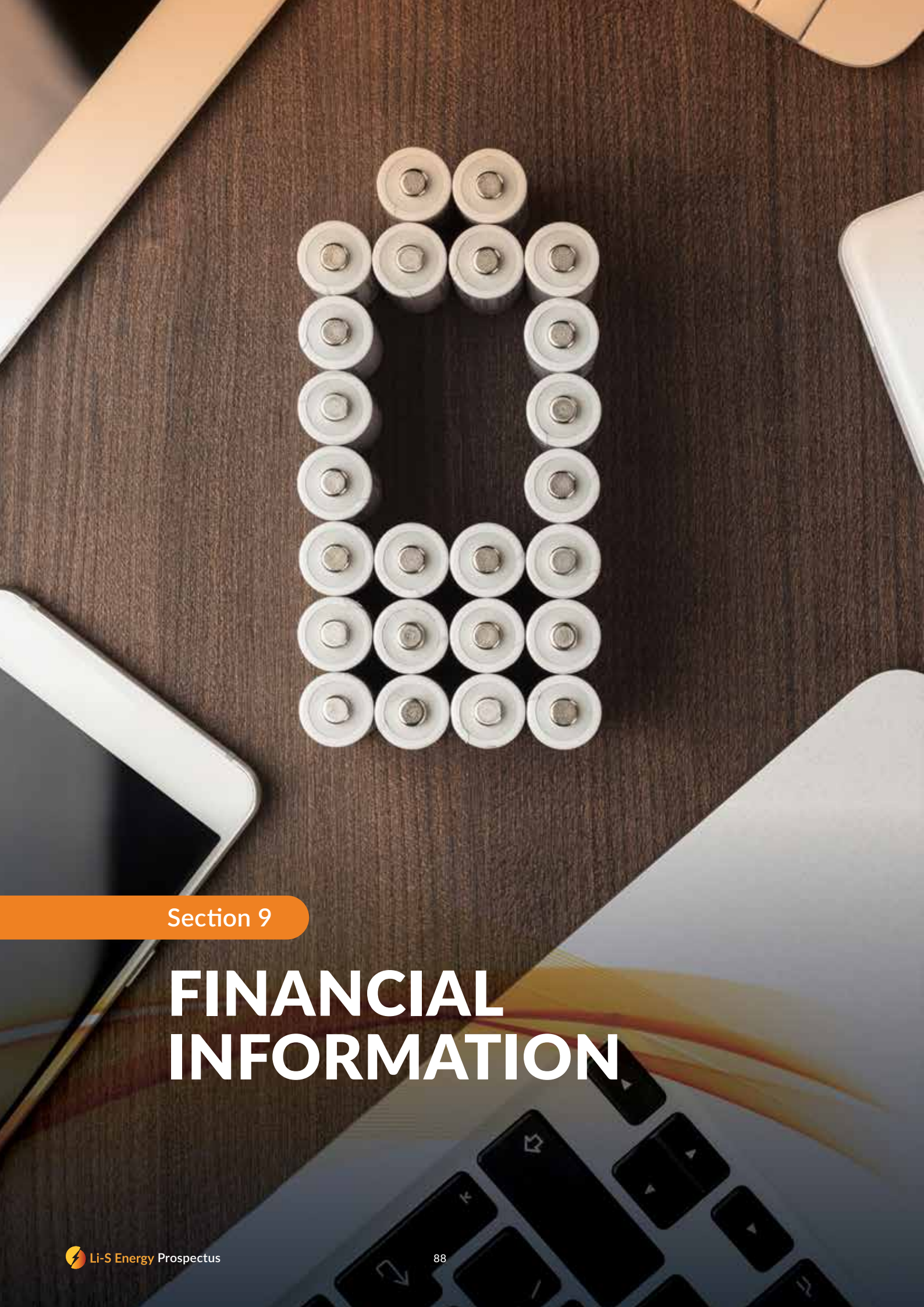
The Security Trading Policy sets out rules and procedures that Directors, employees or contractors must abide by when trading in Li-S Energy's securities. This policy prohibits insider trading, margin loans and hedging of remuneration of key management personnel and the internal approval process to trade Li-S Energy's securities.

(l) Whistle-blower Policy

The Whistle-blower Policy provides effective protection from victimisation or dismissal to those reporting illegal, unethical or improper conduct.

(m) Anti-bribery and Corruption Policy

The Anti-bribery and Corruption Policy is in place to ensure Li-S Energy complies with all laws relating to bribery or corruption and prevent any form of bribery or corruption in the course of its business.



Section 9

FINANCIAL INFORMATION

9. Financial Information

9.1 Introduction

Li-S Energy was incorporated on 12 July 2019 and is an Australian based public company.

This Section sets out the Historical Financial Information (defined below) and Pro Forma Historical Financial Information (defined below) of the Company (together the Financial Information).

The financial information contained in this Section 9 comprises:

- the historical statements of profit and loss for the period from 12 July 2019 (date of incorporation) to 30 June 2020 and the six months ended 31 December 2020 in Section 9.6.1 (**Historical Statements of Profit or Loss**);
- the historical statement of financial position as at 31 December 2020 in Section 9.6.2 (**Historical Statement of Financial Position**); and
- the historical statements of cash flows for the period from 12 July 2019 (date of incorporation) to 30 June 2020 and the six months ended 31 December 2020 in Section 9.6.3 (**Historical Statements of Cash Flows**).

(Hereafter the **Historical Financial Information**)

- the pro forma historical statement of financial position as at 31 December 2020 in Section 9.7.4, which assumes completion of the Offer and includes the pro forma adjustments as described in Section 9.3 (Hereafter the **Pro Forma Historical Financial Information**)

(The Historical Financial Information and the Pro Forma Historical Financial Information are collectively referred to as the **Financial Information**).

The Directors of Li-S Energy are responsible for the preparation and fair presentation of the Financial Information including the determination of the pro forma adjustments.

The Financial Information set out in this Section 9 should be read in conjunction with:

- the basis of preparation as set out in Section 9.2
- the Company's overview set out in Section 5;
- the key risks set out in Section 11;
- Subsequent events and other information as set out in Section 9.8;
- the Significant Accounting Polices set out in Section 9.9;
- disclosures related to Going Concern as set out in Section 9.4;
- the Company's proposed use of its cash resources (including the proceeds of the Offer), after Listing, as described in Sections 5.11 and 14.3;
- details of the Company's dividend policy in Section 9.6; and
- other information contained in this Prospectus.

The Financial Information presented in this Prospectus has been reviewed by Ernst & Young (**EY**) in accordance with the Australian Standard on Assurance Engagements ASAE3450 *Assurance Engagements involving Corporate Fundraising and/or Prospective Financial Information*, as stated in its Independent Limited Assurance Report. Investors should note the scope and limitations of that report (refer to Section 10).

Investors should be aware that past performance is not an indication of future performance.

9.2 Basis of Preparation

The Historical Financial Information has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards (**AAS**) issued by the Australian Accounting Standards Board (**AASB**) which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board.

9. Financial Information

continued

The Historical Financial Information has been derived from the financial reports of Li-S Energy for the period from 12 July 2019 (date of incorporation) to 30 June 2020 and for the six months ended 31 December 2020. These financial reports have been audited by EY in accordance with Australian Auditing Standards. EY issued unqualified audit opinions on these financial reports.

You may obtain a copy of the Company's financial reports free of charge on the Company's website (www.lis.energy).

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles of the AAS other than that they include adjustments which have been prepared in a manner consistent with AAS that reflect the impact of certain transactions as if they had occurred as at 31 December 2020.

The Pro Forma Historical Financial Information has been prepared solely for the purposes of inclusion in this Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent Li-S Energy's actual or prospective financial position.

The Financial Information is presented in an abbreviated format and does not contain all of the presentation, comparative information and disclosures required by the AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

9.3 Pro Forma Adjustments

The Pro Forma Historical Financial Information has been derived from the Historical Statement of Financial Position and adjusted for the effects of the IPO pro forma adjustments described below (**Pro Forma Adjustments**):

1. impact of the Offer including the proceeds from the Offer and allotment of 40,000,000 Shares at $0.85 each, being $34,000,000; and
2. the impact of the cost of the Offer.

9.4 Going Concern

The Company has a historical net loss of $423,999 and operating cash outflow of $126,551 for the half year ended 31 December 2020. The Financial Information has been prepared on a going concern basis, which assumes continuity of the Company's normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Following Completion of the Offer, the Company expects a pro forma historical cash and cash equivalents as at 31 December 2020 of $31,880,511. Further, subsequent to 31 December 2020, the Company raised $20,000,000 (before transaction related costs) in April 2021 from Sophisticated investors and institutions (which are not included in the above pro forma historical cash balances).

The Directors expect that these funds, will be sufficient to allow for the Company's planned projects, provide the necessary working capital to meet its ongoing obligations and the stated business objectives for at least 12 months from the date of the Offer.

9.5 Forecast Financial Information

As Li-S Energy is at an early stage of development, there are significant uncertainties associated with forecasting the future revenues and expenses of Li-S Energy. On this basis, the Directors believe that there is no reasonable basis for the inclusion of financial forecasts in this Prospectus.

9.6 Dividend Policy

Payment of dividends by Li-S Energy depends upon the availability of distributable earnings, operating results, available cash flows, financial condition, taxation position, future capital requirements, general business and financial conditions, and other factors the Directors consider relevant. The Directors currently intend to use surplus cash to fund Li-S Energy's lithium-sulphur battery and do not expect to declare or pay dividends in the foreseeable future. The Directors give no assurances about the payment of dividends, the extent of payout ratios or the future level of franking of dividends.

9.7 Historical Financial Information and Pro Forma Historical Financial Information

9.7.1 Historical Statements of Profit or Loss

	31 December 2020[2] $	30 June 2020[1] $
Continuing operations		
Revenue	–	–
Cost of sales	–	–
Gross profit	**–**	**–**
Administration expenses	(28,444)	(62,330)
Management fees	(60,000)	–
Directors' fees	(30,000)	–
Finance costs	–	(9,038)
Depreciation and amortisation expense	(27,884)	–
Gains/(losses) on financial assets at fair value through profit or loss	(277,671)	36,220
Profit/(Loss) before tax	**(423,999)**	**(35,148)**
Income tax expense	–	–
Profit/(Loss) after tax	**(423,999)**	**(35,148)**

Note 1: Represents the period from incorporation on 12 July 2019 to 30 June 2020.
Note 2: Represents the six months ended 31 December 2020.

9. Financial Information

continued

9.7.2 Historical Statement of Financial Position

	31 December 2020 $
Assets	
Current assets	
Cash and cash equivalents	1,462,479
Trade and other receivables	21,679
Other current assets	41,472
	1,525,630
Non-current assets	
Property, plant and equipment	92,686
Intangible assets	684,048
Investment	2,269,670
Other non-current assets	20,737
	3,067,141
Total assets	**4,592,771**
Liabilities and equity	
Current liabilities	
Trade and other payables	10,920
Total liabilities	**10,920**
Net assets	**4,581,869**
Equity	
Contributed equity	3,693,366
Share premium reserve	1,347,650
Retained earnings/(accumulated losses)	(459,147)
Capital and reserves attributable to owners of Li-S Energy Limited	**4,581,869**
Total equity	**4,581,869**

9.7.3 Historical Statements of Cash Flows

	31 December 2020[2] $	30 June 2020[1] $
Cash flows from operating activities		
Cash payments to suppliers	(60,501)	(251,538)
Management fees paid to parent entity	(66,000)	–
Interest paid	(50)	–
Other	–	500
Net cash flows from (used in) operating activities	(126,551)	(251,038)
Cash flows from investing activities		
Purchase of property, plant and equipment	(99,835)	–
Payments for intangible assets	(255,968)	(419,042)
Purchase of investment	–	(500,000)
Net cash flows from (used in) investing activities	(355,803)	(919,042)
Cash flows from financing activities		
Proceeds from capital raise at incorporation	–	100
(Repayment)/proceeds from related parties	(1,091,267)	1,176,080
Proceeds from capital raise	–	3,250,000
Payment of transaction costs for issued share capital	–	(220,000)
Net cash flows from (used in) financing activities	(1,091,267)	4,206,180
Net increase/(decrease) in cash and cash equivalents	(1,573,621)	3,036,100
Cash at the beginning of the financial period	3,036,100	–
Cash at the end of the financial period	1,462,479	3,036,100

Note 1: Represents the period from incorporation on 12 July 2019 to 30 June 2020.
Note 2: Represents the six months ended 31 December 2020.

9. Financial Information

continued

9.7.4 Pro Forma Historical Financial Information

The table below sets out the Historical Statement of Financial Position of the Company as at 31 December 2020, the Pro Forma Adjustments that have been made to it (as detailed in the footnotes) and the pro forma historical statement of financial position of the Company at 31 December 2020.

	Historical 31 December 2020 $	Offer Proceeds – Note 1 $	Offer and Other Costs – Note 2 $	Pro Forma Historical 31 December 2020 $
Assets				
Current assets				
Cash and cash equivalents	1,462,479	34,000,000	(3,581,968)	31,880,511
Trade and other receivables	21,679			21,679
Other current assets	41,472			41,472
	1,525,630	34,000,000	(3,581,968)	31,943,662
Non-current assets				
Property, plant and equipment	92,686			92,686
Intangible assets	684,048			684,048
Investment	2,269,670			2,269,670
Deferred Tax Asset	–		895,492	895,492
Other non-current assets	20,737			20,737
	3,067,141		895,492	3,962,633
Total assets	**4,592,771**	**34,000,000**	**(2,686,476)**	**35,906,295**
Liabilities and equity				
Current liabilities				
Trade and other payables	10,902			10,902
Total liabilities	**10,902**			**10,902**
Net assets	**4,581,869**	**34,000,000**	**(2,686,476)**	**35,895,393**
Equity				
Contributed equity – Note 3	3,693,366	34,000,000	(101,660)	37,591,706
Share premium reserve	1,347,650			1,347,650
Retained earnings/(accumulated losses)	(459,147)		(2,584,816)	(3,043,963)
Capital and reserves attributable to owners of Li-S Energy Limited	**4,581,869**	**34,000,000**	**(2,686,476)**	**35,895,393**
Total equity	**4,581,869**	**34,000,000**	**(2,686,476)**	**35,895,393**

IPO Pro Forma Adjustments

1. Cash and cash equivalents are expected to increase by $34,000,000 as a result of proceeds from the Offer assuming an issuance of 40,000,000 New Shares at the Offer Price.

2. The estimated offer costs of the Offer are $3,581,968. All costs are expected to be settled in cash. The amount estimated is inclusive of GST amounts not expected to be recovered due to limitations imposed by the Financial Acquisitions Threshold, under Australian tax law. Offer costs (net of tax) of $1,051,373 have been directly expensed and are shown in accumulated losses and costs (net of tax) directly related to the Offer of $1,635,103 have been allocated between issued capital ($101,660) and accumulated losses ($1,533,443). A deferred tax asset has been recognised to reflect the future deduction of relevant costs against taxable income. Directly expensed Offer costs include $900,000 payable to consultants including related parties (refer Section 14.11).

3. Refer Section 9.8.5 for other post 31 December 2020 contributed equity movements.

9.8 Events Subsequent to 31 December 2020 and Other Information

Subsequent to 31 December 2020 the below subsequent events have occurred as indicated. These events are non-adjusting subsequent events in relation to 31 December 2020 and will be reflected in the results, position and cash flows of the Company post 31 December 2020. Also included below is information on other relevant matters.

9.8.1 Operational Agreements – Subsequent Event

As set out in Section 12 the Company has entered into a number of new operational agreements. These agreements are in addition to agreements associated with matters in Sections 9.8.2 and 9.8.3. These agreements relate to the following matters and will impact the financial results, position and cash flows of the Company in periods post 31 December 2020:

a. Agreements for the supply and distribution of BNNTs as disclosed in Section 12.2.
b. An agreement for the rental of premises as disclosed in Section 12.4.
c. A consulting agreement as disclosed in Section 12.5(c).
d. An employment agreement with the CEO as disclosed in Section 12.5(a).
e. An employment agreement with the CTO as disclosed in Section 12.5(b).
f. An agreement for the provision of non-scientific support services as disclosed in Section 12.6.
g. An agreement for the provision of scientific and research services as disclosed in Section 12.3(b).
h. An agreement for the assignment of Intellectual Property as disclosed in Section 12.3(a).

9.8.2 Equity Raising – Subsequent Event

Subsequent to 31 December 2020, the Company has received cash proceeds from a pre-IPO capital raise of $20,000,000 by allotment of 40,000,000 new Shares at $0.50 per Share, less offer costs of $1,021,250 (net cash - $18,978,750). These costs are expected to be deductible for tax over a 5 year period.

9.8.3 Investment in Zeta Energy LLC – Subsequent Event

On 26 June 2021 the Company received notification that a condition of its right to hold its investment in Zeta Energy LLC, which required the Company to complete an Initial Public Offering, had been removed. This condition is hence removed from that date.

9.8.4 Service Rights Agreements

9.8.4.1 Non-Executive Directors (NED Equity Plan) – Subsequent Event

2,160,000 Service Rights were granted on 1 May 2021 under the Li-S Energy Limited NED Equity Plan. The key features of the issuance are as follows:

- The exercise price payable by the holder is $Nil.
- The Service Rights will vest to the NED over a 3-year period.
- The vesting of Service Rights requires continued tenure as a Director of the Company. There are no other performance conditions.
- On vesting the Service Right will expire if unexercised 15 years post the initial grant date.
- Should a Director cease being a Director in the vesting period the unvested Service Rights will be forfeited in proportion based on plan rules.
- Each Service Right converts to one ordinary Share in the Company.

The Service Rights have been independently valued at $0.50 each (Section 8.4(b)). A total expected expense should all Service Rights vest of $1,080,000 will be recorded in the profit and loss over the forward 3-year period post grant, in accordance with their vesting profile.

9.8.4.2 Company Executives (Executive Rights Plan) – Other Information

1,000,000 Service Rights were granted on 12 November 2020 to Dr. Lee Finniear under the Li-S Energy Limited Executive Rights Plan. The key features of the issuance are as follows:

- The exercise price payable by the holder is $Nil.
- The Service Rights will vest to the executive over a 4-year period.
- The vesting of Service Rights requires continued tenure as an executive of the Company. There are no other performance conditions. Directors do however have the right to vary the number of vested Service Rights.
- On vesting the Service Right will expire if unexercised 15 years post the initial grant date.
- Should an executive cease being an executive in the vesting period the unvested Service Rights will be forfeited in proportion based on plan rules.
- Each Service Right converts to one ordinary Share in the Company.

The Service Rights have been independently valued at an average value of $0.065 cents each (Section 8.5(a)). A total expected expense should all Service Rights vest of $65,000 will be recorded in the profit and loss over the forward four year period post grant, in accordance with their vesting profile.

9.8.5 Total Capital Outstanding – Subsequent Event and Other Information

As a result of the matters described above in Sections 9.8.2 and 9.8.4, at the date of this Prospectus the number of Shares actually outstanding and potentially outstanding is as follows (this does not include New Shares issued as a result of the Offer):

	Number of Ordinary Shares
Outstanding and issued at 31 December 2020	560,200,230
Issued as a result of capital raising in Section 9.8.2	40,000,000
Outstanding and issued at date of this Prospectus	600,200,230
Potentially issuable ordinary Shares under Service Rights in Section 9.8.4[1]	3,160,000
Issued and potentially issuable Shares at the date of this Prospectus	603,360,230

1 Assuming all Service Rights vest and are converted to ordinary Shares.

9.9 Summary of Significant Accounting Policies

Set out below are a number of significant accounting policies and other material accounting matters that have been used in the preparation of the Financial Information.

9.9.1 Basis of preparation and statement of compliance

The Financial Information has been prepared on an accruals basis and are based on historical costs, except for investments measured at fair value.

9.9.2 Significant accounting judgements, estimates and assumptions

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The judgements, estimates and assumptions applied in the Financial Information, including the key sources of estimation uncertainty were the same as those applied for the period from 12 July 2019 (date of incorporation) to 30 June 2020 and the six months ended 31 December 2020.

The Company based its assumptions and estimates on parameters available when the Historical Financial Information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

9.9.3 Segment information

The Company applies AASB 8 Operating Segments whereby segment information is presented using a "management approach", segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision makers.

Operating segments have been determined based on reports reviewed by the Directors. The Directors and the Senior Management are the chief operating decision makers of the Company. The only reportable segment for the six months ended 31 December 2020 is the development and commercialisation of the Li-S Energy Battery.

9.9.4 Foreign currency translation

Functional and presentation currency

The functional and presentation currency of the Company is in Australian Dollars ($AUD).

Foreign currency transactions and balances

Foreign currency transactions during the period are converted to Australian currency at rates of exchange applicable at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses, whether realised or unrealised, resulting from the settlement of such transactions, amounts receivable and payable in foreign currency at the reporting date, and from the re-measurement of monetary items at year end exchange rates are recognised in profit and loss.

Non-monetary items are not retranslated at year end and are measured at historical cost (translated using the exchange rate at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

9.9.5 Operating expenses

Operating expenses are recognised in the profit or loss upon utilisation of the services or at the date incurred.

9.9.6 Intangible assets

Research and Development

Research is recognised as an expense as incurred. Costs incurred on development (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria such as a) selling, administrative and other general overhead expenditure, unless this expenditure can be directly attributed to preparing the asset for use; b) identified inefficiencies and initial operating losses incurred before the asset achieves planned performance; and c) expenditure on training staff to operate the asset, are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets at cost less any accumulated amortisation and impairment losses and amortised over the period of expected future sales from the related projects. The carrying value of development costs is reviewed annually when the asset is not yet ready for use, or when events or circumstances indicate that the carrying value may be impaired.

Intangible assets not yet ready for use require an annual impairment test. Management has used significant judgement to determine there was no impairment that occurred after the initial recognition of the intangible asset. Management made this assessment on the basis that the Company has one Cash Generating Unit and the equity raising price implied a value for the Company in excess of its recorded assets and liabilities.

9.9.7 Financial Assets

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Financial assets are classified according to the characteristics of their contractual cash flow and the Company's business model for managing them. Except for those trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do contain a significant financing component for which the Company has applied the practical expedient are measured at the transaction price.

The Company's investment in Zeta Energy LLC is at fair value through profit and loss and is measured as a Level 3 financial instrument.

9.9.8 Fair value of financial instruments

Fair value

Estimated discounted cash flows were used to measure fair value, except for fair values of financial assets that were traded in active markets that are based on quoted market prices.

Hierarchy

The following tables classify financial instruments recognised in the statement of financial position of the Company according to the hierarchy stipulated in AASB13 as follows:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for financial instruments, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs)

9.9.8 Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are only recognised for deductible temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or liability if they arose in a transaction other than a business combination that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

9.9.10 Share-based payments

As disclosed in Section 9.8.4 the Company operates equity-settled Share right-based incentive plans for its Directors and executives. All goods and services received in exchange for the grant of any Share-based payment are measured at their fair value of the instruments granted. Where Directors and executives are rewarded using Share right-based payments, the cost of Directors' and executives' services is determined by the fair value at the date when the grant is made using an appropriate valuation model and revalued when modified.

All Share-based remuneration is ultimately recognised in employee benefits expense with a corresponding credit to a Share rights reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on best available estimate of the number of Share rights expected to vest. Non-market vesting conditions are included in assumptions about the number of Share rights that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of Share rights expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if Share rights ultimately exercised are different to that estimated on vesting.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the Share-based payment transaction, or is otherwise beneficial to the holder. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

9.9.11 Cash

For the purposes of the statement of cash flows, cash includes cash on hand, and at call deposits with banks or financial institutions, net of bank overdrafts as they are considered an integral part of the Company's cash management.

9.9.12 Trade and other payables

These amounts represent unpaid liabilities for goods received and services provided to the Company prior to the end of the financial year. The amounts are unsecured and are normally settled within 30 to 60 days, except for imported items for which 90 or 120 day payment terms are normally available.

9.9.13 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the costs reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual lease guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (i.e. changes to future payments resulting from a change in an index or rate to be used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Section 10

INDEPENDENT LIMITED ASSURANCE REPORT

10. Independent Limited Assurance Report

Ernst & Young
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Building a better working world

21 July 2021

The Board of Directors
Li-S Energy Limited
Level 27
10 Eagle Street
Brisbane QLD 4000

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON HISTORICAL FINANCIAL INFORMATION AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

1. Introduction

We have been engaged by Li-S Energy Limited ("Li-S" or the "Company") to report on the historical financial information and pro forma historical financial information for inclusion in the prospectus to be dated on or about 21 July 2021 ("Prospectus"), and to be issued by Li-S, in respect of the issue of 40,000,000 new shares in Li-S at a price of $0.85 per new share to raise $34,000,000 (before costs) ("the Offer'") and for admission for listing on the ASX.

Expressions and terms defined in the Prospectus have the same meaning in this report.

2. Scope

Historical Financial Information

You have requested Ernst & Young to review the following historical financial information of Li-S:

- the historical statements of profit or loss for the period 12 July 2019 (date of incorporation) to 30 June 2020 and the six months ended 31 December 2020 ("Historical Statements of Profit or Loss") as set out in Section 9.7.1 of the Prospectus;
- the historical statement of financial position as at 31 December 2020 ("Historical Statement of Financial Position") as set out in Section 9.7.2 of the Prospectus; and
- the historical statements of cash flows for the period 12 July 2019 (date of incorporation) to 30 June 2020 and the six months ended 31 December 2020 ("Historical Statements of Cash Flows") as set out in Section 9.7.3 of the Prospectus.

(Hereafter the "Historical Financial Information").

The Historical Financial Information has been derived from the financial statements of Li-S for the period ended 30 June 2020 and the six months ended 31 December 2020, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these financial statements.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards ("AAS"), which are consistent with International Financial Reporting Standards.

Pro Forma Historical Financial Information

You have requested Ernst & Young to review the following pro forma historical financial information of Li-S:

- the pro forma historical statement of financial position as at 31 December 2020 as set out in Section 9.7.4 of the Prospectus

(Hereafter the "Pro Forma Historical Financial Information").

(the Historical Financial Information and Pro Forma Historical Financial Information is collectively referred to as the "Financial Information").

The Pro Forma Historical Financial Information has been derived from the Historical Statement of Financial Position of Li-S, and adjusted for the effects of pro forma adjustments described in Section 9.3 of the Prospectus.

The Pro Forma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in AAS other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect the impact of certain transactions as if they occurred as at 31 December 2020.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position.

The Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

3. Directors' Responsibility

The directors of Li-S are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Building a better working world

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

5. Conclusions

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information comprising:

- the historical statements of profit or loss for the period 12 July 2019 (date of incorporation) to 30 June 2020 and the six months ended 31 December 2020 ("Historical Statements of Profit or Loss") as set out in Section 9.7.1 of the Prospectus;
- the historical statement of financial position as at 31 December 2020 ("Historical Statement of Financial Position") as set out in Section 9.7.2 of the Prospectus; and
- the historical statements of cash flows for the period 12 July 2019 (date of incorporation) to 30 June 2020 and the six months ended 31 December 2020 ("Historical Statements of Cash Flows") as set out in Section 9.7.3 of the Prospectus.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 9.2 of the Prospectus.

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information comprising:

- the pro forma historical statement of financial position as at 31 December 2020 as set out in Section 9.7.4 of the Prospectus

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 9.2 of the Prospectus.

6. Restriction on Use

Without modifying our conclusions, we draw attention to Section 9 of the Prospectus, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young does not have any interests in the outcome of this Offer other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully

Ernst & Young

Section 11

RISKS

11. Risks

An investment in Li-S Energy carries significant risk and the Directors strongly recommend that potential Applicants consider the risk factors described below, together with information contained elsewhere in this Prospectus along with their own assessment of the investment risk, and consult their professional advisers before deciding whether to apply for New Shares pursuant to this Prospectus.

Risks can be known or unknown in nature. In addition to specific risks relating to Li-S Energy, there are also other general risks, that investors should consider. Certain of the specific and general risks may be beyond the control of Li-S Energy and the Directors. The risks identified in this Section 11, or other risk factors, may have a material adverse impact on Li-S Energy and the market price of any New Shares issued pursuant to this Prospectus. Please note, the risks listed in this Section 11 are not an exhaustive or finite list and other risks may exist or manifest in the future.

Li-S Energy has never realised any revenues from its products and may never achieve commercial success. The Company has limited meaningful historical financial data upon which to base projected revenues, planned operating expenses and capital projections upon which Applicants may evaluate the Company's prospect of success.

11.1 Company Specific Risks

(a) Reliance on Supply Agreement and Distribution Agreement with BNNTTL

The future success of Li-S Energy is primarily dependent on the success of the Li-S Energy Battery. The development and production of the Li-S Energy Battery is subject to Li-S Energy being able to secure the supply of BNNTs at the volume it requires from time to time and at a commercially viable price point.

Li-S Energy has a long term contract with BNNTTL (see Section 12.1) for the supply of BNNTs and as at the date of this Prospectus, BNNTTL holds 5.00% of the Shares in Li-S Energy.

However, given that BNNTTL's ability to manufacture BNNTs at a commercial scale is based on relatively new technologies (as detailed in Section 4.7), there is a risk that BNNTTL may not be able to supply high purity BNNTs in the quantities required by Li-S Energy or a battery manufacturer that Li-S Energy distributes to.

(b) Pilot phase research and technology scale up

The Li-S Energy Battery technology is currently at the pilot research and development phase. Investment in the Company should be considered in light of the risks, expenses and difficulties frequently encountered by companies at this stage of development, including factors such as design and construction of efficient research, development and processing facilities within capital expenditure budgets. Should the pilot research and development be successful, the technology risk of scaling up from the existing pilot to developing an economically viable commercial operation and production facility may not be successful.

(c) Evolving technologies

i. New Battery Technologies/ Alternatives to Battery Technologies

The market for new and advanced rechargeable batteries based on chemistries other than lithium-ion are at an early stage of development and the extent that the Li-S Energy Battery will be able to meet customer requirements and achieve significant market acceptance is uncertain. Rapid and ongoing changes in technology and product standards could result in the Li-S Energy Battery becoming less competitive, or even obsolete. If the Li-S Energy Battery technology is not adopted by customers, or if the Company's Li-S Energy Battery technology does not meet industry standards for power and energy storage capacity in an efficient and safe design, the Li-S Energy Battery is unlikely to gain market acceptance.

New technologies around lithium-sulphur batteries may continue to emerge, and these new technologies may be different or better than those Li-S Energy is currently using or developing. There is no guarantee that a return on investment in technology will meet expectations and Li-S Energy's technology may become obsolete or outdated through the investment of its peers in superior technology and/or product offerings.

With technology continuously changing, there is also a general risk that lithium-sulphur batteries could experience a fall in demand if subsequent and future technology advancements of other batteries or alternative technologies should occur.

ii. Customer Demand

The market for the Company's products depends on third parties creating new products or expanding existing end-user products thus creating demand for batteries, or replacing existing battery products with the Li-S Energy Battery.

As outlined in Section 4.2, the Company expects that in order for the Li-S Energy Battery to be a marketable new battery technology, it will not only need to have higher battery capacity at a lighter weight, faster charging capability, enhanced safety and be more environmentally friendly, but also be lower cost.

If the demand does not occur, or the Company's battery products cannot replace existing batteries in the market, then the sale of the Company's batteries, license of its technology or distribution of BNNTs for battery manufacture would likely not be expected to occur.

iii. Customer and Market Acceptance

Many customers have long term supply agreements in place with their battery supplier. It is probable that a potential customer would require time to test new batteries in their end-user products, negotiate new agreements, machine up to manufacture new batteries, potentially adapt their products to work with the new battery and utilise their current battery stock. As a result, despite the Company's battery design being successful there may be a considerable period of time before the Company generates revenues and cash inflows.

iv. Specific Design Risk

The Company is researching and developing the use of Li-Nanomesh as a protective layer for lithium metal anodes, and BNNTs to protect cathodes and to improve battery safety. The use of BNNT and Li-Nanomesh in a battery application are not yet comprehensively tested and verified and Li-S Energy may not be able to develop a commercial lithium-sulphur battery that is more competitive to other existing batteries in use.

v. Competitors

Many potential competitors operate their own manufacturing facilities, have a long history of operations, presence in key markets, large customer bases, brand recognition, significant resources dedicated to research and technology and product development and access to financial resources. These customers may be able to adapt more quickly to new or emerging technologies, changes in customer requirements and may have greater resources committed to the research sales and marketing of their technologies and products. They may have or may establish financial or strategic relationships with existing customers, resellers or other third parties. As a result, competitors may develop new technologies or better position themselves to compete resulting in pricing pressures, decreased gross margins and loss of market share which could materially adversely affect Li-S Energy's business, financial condition and the results of its operations.

vi. Other Technology Factors

Many other factors outside of the Company's control may also affect the demand for the Li-S Energy Battery and the viability of widespread adoption of advanced battery technologies including:

- Performance and reliability of battery power products compared to conventional and other non-battery energy sources and alternative battery chemistries;
- Success of alternative battery chemistries such as nickel-based batteries, lead-acid batteries, solid-state batteries and conventional lithium-ion batteries and the success of other alternative battery chemistries;
- Continued investment by governments, investors, Company's customers and the availability of government subsidies and incentives to support the development of the battery power industry and specific battery chemistries;
- Fluctuations in economic and market conditions that affect the cost of energy stored by batteries such as increases or decreases in the prices of electricity; and
- Heightened awareness of environmental issues and concern about global warming and climate change.

(d) Protection of intellectual property

The value of Li-S Energy's services and products is dependent on Li-S Energy's ability to effectively identify, protect, defend, and in certain circumstances keep secret, its intellectual property, including business processes and know-how in relation to the application of BNNTs and Li-Nanomesh in the construction of a battery, copyrights, patents, trade secrets and trade marks. There is a risk that Li-S Energy's intellectual property (summarised in Section 5.5) may be compromised in a number of ways, including:

- employees may breach operational procedures, or employees or third parties may breach confidentiality obligations, or infringe or misappropriate Li-S Energy's intellectual property;
- employees having misappropriated intellectual property of their former employers or other third parties;
- licensee (or other third parties) may breach licence terms or infringe Li-S Energy's intellectual property;
- competitors or other third parties may develop non-infringing competitive technology, or may allege that Li-S Energy, or consultants or other third parties retained or indemnified by Li-S Energy, infringe their intellectual property rights; or
- hackers, rogue Nation State activities or criminals may engage in cyber-attacks on Li-S Energy or its venture partners that may result in the loss, theft or damaging of intellectual property.

Li-S Energy may be unable to detect unauthorised use of its intellectual property rights in all instances and a breach of intellectual property may result in the need for Li-S Energy to commence legal action, such as infringement or administrative proceedings, which could be costly, time consuming and potentially difficult to enforce in certain jurisdictions.

(e) Patent protection

Li-S Energy holds the pending applications as listed in Section 7 and acknowledges that its prospect of obtaining patent protection for products and the technology such as those proposed under the patent applications is uncertain and involves complex and continually evolving factual and legal questions with such questions potentially impacted by legislative and judicial changes, or changes to examination guidelines in relevant jurisdictions.

There is a risk provisional patent applications may not proceed to granted patents or may not afford Li-S Energy adequate protection from competing products. Even if Li-S Energy succeeds in obtaining patent protection for its products, its patents could be wholly or partially invalidated following challenges by third parties. Further information in respect to the patent application process and status of Li-S Energy's patents is contained in the Intellectual Property Report in Section 7.

(f) Reliance on Research Framework Agreement

The development of the Li-S Energy Battery technology and the success of the Development Program is largely dependent on Li-S Energy's relationship with Deakin. Li-S Energy has agreements in place with Deakin to not only implement and progress the Development Program (see Section 12.3(b)), but also for the laboratory space on Deakin's Waurn Ponds Campus in which Li-S Energy plans to build and commission its pilot scale semi-automated battery production line (see Section 12.4).

Without these agreements with Deakin, Li-S Energy would not have the resources, including research personnel and sufficient space, to progress the Development Program to reach its expected target timeframes set out in Section 5.10.

(g) Reliance on key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of Li-S Energy depends substantially on its Senior Management and its key personnel. There can be no assurance given that there will be no detrimental impact on Li-S Energy if one or more of these employees cease their engagement with Li-S Energy or an entity contracted by Li-S Energy, particularly those highly skilled scientists and design, process and test engineers.

There is also a risk that Li-S Energy may not be able to attract and retain adequately skilled personnel and management, or be able to find effective replacements for individuals who leave the business.

(h) Future funding requirements

Li-S Energy's capital requirements depend on numerous factors.

Li-S Energy could require further financing in order to progress development of the Li-S Energy Battery. For the foreseeable future, it is expected that this funding will be obtained from traditional financing sources. Any equity financing undertaken will dilute existing Shareholders and holders of New Shares.

There is no guarantee that Li-S Energy will be able to secure any additional funding or will be able to secure funding on terms that are favourable or acceptable to Li-S Energy.

There is a risk that the development schedule for new products, or the adoption of new products may take longer than expected, delaying the development of new revenue streams. New third party technologies could prove more advanced, less costly and be developed in less time than Li-S Energy's new products. There is a risk that Li-S Energy's new products may not be well received by its clients or Li-S Energy may not be able to generate sufficient adoption of its new products. Other related factors that may impact sales growth and Li-S Energy's performance include the commercial viability and delays of new products and technology.

This may require Li-S Energy to reduce the scope of its operations, seek further funding sources or, if necessary, surrender or dispose of some of its interest in one or more of its Development Program projects.

(i) Information technology/ privacy concerns

Li-S Energy relies heavily on the computer systems of third party service providers to store and manage private and confidential information (including intellectual property). A malicious attack on Li-S Energy's systems, processes or people from external or internal sources could put the integrity and privacy of Li-S Energy's data at risk. If Li-S Energy's efforts to combat any malicious attack are unsuccessful or Li-S Energy has actual or perceived vulnerabilities, Li-S Energy's business reputation and brand name may be harmed, or confidential information disclosed, potentially having a material adverse effect on Li-S Energy's operations and financial position.

(j) General operating risks

Li-S Energy was incorporated on 12 July 2019 and has limited historical operating and financial performance. The proposed activities, costs and use of funds described in this Prospectus are based on certain assumptions with respect to the method and timing of research, development and other technical tests. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions.

It is also possible that the operating and administrative costs of the Company may increase if it becomes necessary to bolster those resources for operating purposes or to meet increased regulatory burdens. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect Li-S Energy's viability.

No assurance can be given that Li-S Energy will achieve commercial viability through the successful research, development and commercialisation of the Project. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

(k) Environmental

While the Company does not currently manufacture batteries, the Company's Development Program contemplates building and commissioning a pilot plant battery production facility. There are various environmental laws and regulations in the jurisdiction in which Li-S Energy will operate including those relating to handling and disposal of solid and hazardous wastes, recycling of batteries, and the remediation of contamination associated with the use and disposal of hazardous substances. A release of such substances due to an accident or intentional act could result in substantial liability owing to government authorities or to third parties.

Laws and regulations exist today, and additional laws and regulations may be enacted in the future, which impose environmental, health and safety controls on the storage, use and disposal of certain chemicals and metals used in the manufacture of batteries. Complying with laws and regulations could require significant time and resources from the Company's staff and possible redesign of one or more of the Company's products, which may result in substantial expenditures and delays in the production of one or more of the Company's products, all of which could harm the Company's business and reduce the Company's future profitability. Transportation of certain batteries is regulated and compliance with these regulations, when applicable, increases the cost of producing and delivering the Company's products.

The Company will incur capital, operating expenses and other costs in complying with environmental laws and regulations. As new laws and regulations are introduced, the Company could become subject to additional capital or operating liabilities in the future that could cause a material adverse effect on the Company's results of operations or financial condition.

(l) Supply chain risks

Supply chain raw materials used in the Company's research and development such as processed lithium metal are sourced from overseas and may be subject to limitations in the quantity available or quality that can be produced.

BNNTs are sourced locally from BNNTTL. However, this is currently the Company's sole supplier so there is risk that if BNNTTL is unable to satisfy the Company's requirements, it will be difficult and expensive to acquire BNNTs from other sources.

Several other materials for battery construction are sourced from overseas and may be subject to delivery delays if supply chains are impacted by COVID-19 or other delays.

Equipment for the Company's pilot production line, expansion of the research and development labs and specialist equipment for the 3D printed battery project will largely be sourced from overseas to order. Delays to the manufacture of the equipment, or delays to availability of components (e.g. silicon chips) that are needed to produce the equipment may cause delays to delivery and to the Company's project outcomes.

11.2 General Risks

(a) The COVID-19 pandemic may adversely impact Li-S Energy's planned operations and activities

Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic and its potentially lasting impacts on consumer behaviour (attitudes, preferences and spending) and employees it is not currently possible to assess the full impact of the COVID-19 pandemic on Li-S Energy's projects, operations, finances and prospects.

Prolonged periods of social distancing (including restrictions on social gatherings and in on-premises locations), quarantines, travel restrictions, work stoppages, health authority actions, lockdowns and other related measures within Australia and internationally, or an escalation of existing measures, may directly and indirectly impact a number of aspects of Li-S Energy's business and operational strategies. These measures may have a material adverse impact on the ability to ensure supply chain continuity, which may in turn limit production ability as expected.

The Company's main operations are at Deakin's campus located at Geelong, Victoria. To slow the spread of COVID-19 in Victoria, the Victorian government has imposed restrictions from time-to-time. As a result, limits have been placed on the number of staff and contractors permitted in the workspace at one time. It is unknown whether stricter restrictions will be imposed and what the impact of these would be on the operations of the Company.

There is continued uncertainty as to the ongoing and future response of governments and authorities globally, and a further Australian economic downturn is possible. Further, any government or industry measures may materially adversely affect the Company's operations and are likely beyond the Company's control.

(b) Regulatory risks and Government Policy changes

Government policies, laws, regulations and requirements are subject to review and changes from time to time, including regulatory and safety requirements for batteries. Such changes are likely to be beyond the control of Li-S Energy and may affect the operations of Li-S Energy or industry profitability.

(c) Economic and market conditions

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on Li-S Energy's ability to fund its operations. Share market conditions may affect the value of Li-S Energy's quoted securities regardless of Li-S Energy's operating performance. Share market conditions are affected by many factors such as:

1. general economic outlook;
2. fluctuations in the domestic and international market for listed stocks;
3. interest rates and inflation rates;
4. changes in investor sentiment toward particular market sectors and commodity types;
5. the demand for, and supply of, capital; and
6. terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for securities in general. Neither Li-S Energy nor the Directors warrant the future performance of Li-S Energy or any return on an investment in Li-S Energy.

(d) Exposure to Changes in Tax Rules or their Interpretation

Tax rules or their interpretation in relation to property, plant and equipment and intangible assets, equity investments and other transactions entered into in the ordinary course of business may change.

In addition, from time to time the ATO will review the tax treatment of transactions entered into by Li-S Energy. Any factual or alleged failure to comply with, or any change in the application or interpretation of tax rules applied in respect of such transactions, could increase its tax liabilities or expose it to legal, regulatory or other actions.

(e) Taxation Consequences for Investors

The acquisition and disposal of New Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in Li-S Energy are urged to obtain independent financial advice about the consequences of acquiring New Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, Li-S Energy, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for New Shares in accordance with this Prospectus.

11. Risks

continued

(f) Liquidity Risk

An application will be made to ASX for admission to ASX's official list and Quotation of the New Shares offered pursuant to this Prospectus within 7 days of the date of this Prospectus.

However, no assurance can be given of the price at which New Shares will trade now or in the future or that they will trade at all. Potential Applicant's should therefore take into account the possible extended timeframes for the development of Li-S Energy's Projects and potential opportunities emerging in the future. The market price of securities can fall, as well as rise, and may be subject to varied and unpredictable influences on the market for equities and, in particular, resources entities. Neither Li-S Energy nor the Directors provide any warranty as to the future performance of Li-S Energy or any return on an investment in Li-S Energy.

Additionally, approximately:

1. 73.93% of the Shares on issue on Completion of the Offer, being Shares held by related parties and promoters of Li-S Energy, will be subject to restrictions on transfer for a period of two years following Li-S Energy's Shares becoming Quoted; and
2. 2.46% of the Shares on issue on Completion of the Offer, being Shares issued to Shareholders in the April 2021 capital raise other than related parties and promoters of Li-S Energy, will be subject to restrictions on transfer until April 2022.

This may affect the liquidity of trading in Li-S Energy's Shares, which may result in a lower volume of Shares being traded than would otherwise have been the case, potentially making it difficult to realise any return on your investment.

(g) Force majeure

Li-S Energy's projects now or in the future may be adversely affected by risks outside the control of Li-S Energy including, but not limited to, labour unrest, civil disorder, war, subversive activities or sabotage, fires floods explosions or other catastrophes, epidemics, pandemics, or quarantine restrictions (including those arising from the ongoing COVID-19 pandemic).

(h) Litigation

Li-S Energy may be subject to litigation, complaints and other claims or disputes, regulatory inquiries or investigations and other enforcement action initiated by customers, employees, regulators or other third parties in the course of its business. Such matters may have a materially adverse effect on Li-S Energy's financial performance and position. Even if such matters are successfully defended or settled without financial consequences, they may have a material adverse effect on the Li-S Energy's profit (due to defence costs) and reputation.

(i) Australian Accounting Standards

Australian Accounting Standards are set by the AASB and are outside the control of Li-S Energy and its Directors. Changes to Australian Accounting Standards issued by the AASB or the interpretation of those standards could materially adversely affect the financial performance and position reported in Li-S Energy's financial statements.

There is also the risk that interpretation of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statement of income and balance sheet items, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in Li-S Energy's financial statements.

11.3 Speculative investment

The above risk factors ought not to be taken as exhaustive of the risks faced by Li-S Energy or by investors in Li-S Energy. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of Li-S Energy and the value of the New Shares offered in accordance with this Prospectus.

Therefore, the New Shares to be issued pursuant to this Prospectus are a speculative investment and carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares. Potential investors should consult their professional advisers before deciding whether to apply for any New Shares pursuant to this Prospectus.

Section 12

MATERIAL CONTRACTS

12. Material Contracts

The Directors consider that certain contracts are significant or material to Li-S Energy and are of such a nature that an investor may wish to have particulars of them when making an assessment of the effect of the Offer on the Company or the rights and liabilities attaching to the Shares (**Material Contracts**).

This Section is intended only to summarise the key material provisions of the Material Contracts, the provisions of each contract are not fully described.

As at the date of this Prospectus, the Company is party to the following Material Contracts that are related party transactions:

a. supply agreement and distribution agreement with BNNTTL for the supply and distribution of BNNTs as detailed in Section 12.2;

b. consulting agreement with Glenn Molloy's consultancy company, Corso Management Services Pty Ltd, as disclosed in Section 12.5(c); and

c. management services agreement with PPK Aust as disclosed in Section 12.6.

Related party transactions (that is, transactions between a public company and a director, an entity controlled by a director, or a parent company of the public company) are regulated in Australia under the Corporations Act by a requirement for shareholder approval unless the transaction is on "arm's length terms", represents no more than reasonable remuneration, or complies with other limited exemptions. The Director's believe that:

a. the above related party transactions were entered into in the normal course of business, and the terms and conditions of these related party transactions are no more favourable than those, or which might reasonably be expected to be available, for similar transactions with unrelated entities on an arm's length basis; and

b. the risks faced by the Company from the above related party transactions are not materially different from or are more favourable to the Company than those it would face had these transactions been entered into with an unrelated party.

12.1 Offer Management Agreement

Li-S Energy and the Lead Manager are party to a mandate letter of engagement agreement for offer management services (**Offer Management Agreement**). Pursuant to the Offer Management Agreement, Li-S Energy appointed Blue Ocean Equities as the Lead Manager to the Offer to lead manage, and act as bookrunners for the Offer.

Fees and expenses

Li-S Energy must pay the Lead Manager:

a. a management fee of 2.0% (plus GST) on the proceeds raised on the successful Applications accepted pursuant to the Offer; and

b. a selling fee of 3.0% (plus GST) on the proceeds raised on the successful Applications accepted pursuant to the Offer.

Li-S Energy will also pay or reimburse the Lead Manager for its out-of-pocket expenses (including legal fees) incurred in connection with this Prospectus and the Offer.

Indemnity

Subject to certain exclusions relating to, fraud, recklessness, wilful misconduct or negligence, or a breach of the Offer Management Agreement by the indemnified parties, Li-S Energy indemnifies the Lead Manager and certain affiliated parties against certain liabilities and losses incurred or sustained directly or indirectly as a result of the appointment of the Lead Manager pursuant to the Offer Management Agreement.

Termination

The Lead Manager may terminate the Offer Management Agreement if before Completion of the Offer, the S&P/ASX 200 Index falls 10% or more below the level of that index on the trading day prior to the date of the Offer Management Agreement, Li-S Energy repays money received from Applicants or Li-S Energy becomes insolvent or similar.

The Lead Manager may also terminate the Offer Management Agreement if the Lead Manager believes that certain events occur which would result in the Lead Manager contravening any laws or be reasonably likely to have a material adverse effect on certain factors including the Offer or performance of the Company. Such events include a material adverse change occurring in respect of Li-S Energy (including financials or nature of business), any information provided to, or warranties or representations made to the Lead Manager by the Company are materially untrue, or any change in legislation, regulations or policy.

In the event of termination, the Lead Manager will be entitled to be reimbursed for any incurred or accrued expenses up to the date of termination and any other amounts payable under the indemnity.

12.2 Supply and distribution

(a) BNNT Supply Agreement

Li-S Energy and BNNTTL have entered into a supply agreement for the supply of BNNTs to Li-S Energy for the purposes of using BNNTs in Li-S Energy's development, testing and manufacture of the Li-S Energy Batteries.

The key material terms of the supply agreement are as follows:

Term	The contract commenced on 9 July 2021 for an initial term of 5 years and automatically renews for further 2 year terms unless Li-S Energy elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.
Termination	Either party may terminate the agreement immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.
Product supplied	BNNTs with a purity of at least 95% or any other specifications agreed from time to time. The minimum Purchase Order quantity is 10gm.
Permitted Purpose	Li-S Energy may only order BNNTs from BNNTTL to use BNNTs in the Customer's development, testing and manufacture of batteries (including to stockpile BNNTs for later use in accordance with forecasts) and any other purpose agreed between the parties in writing.
Other terms	The remainder of the agreement is on the usual commercial terms for a contract of this nature.

(b) BNNT Distribution Agreement

Li-S Energy and BNNTTL have entered into a distribution agreement pursuant to which Li-S Energy is appointed as distributor for BNNT products within the battery industry, with certain exclusive distribution rights.

The key material terms of the distribution agreement are as follows:

Term	The contract commenced on 9 July 2021 for an initial term of 5 years and automatically renews for further 2 year terms unless Li-S Energy elects not to renew the agreement by giving at least 3 months' notice prior to the expiry of the latest term.
Termination	Either party may terminate the agreement immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.
Product used for distribution	BNNTs with a purity of at least 95% or any other specifications agreed from time to time. The minimum Purchase Order quantity is 10gm.

12. Material Contracts

continued

Permitted Purpose	Li-S Energy may only buy BNNTs from BNNTTL for the following Permitted Purposes (including to stockpile BNNTs for later use in accordance with forecasts) and any other purpose agreed between the parties in writing: a. to distribute on an exclusive basis BNNTs to third party customers (**Customers**), provided the Customers are only permitted to use BNNTs to: i. develop, test or manufacture lithium-sulphur batteries; and ii. manufacture Li-S Energy's proprietary nanomesh products incorporating BNNTs (including Li-Nanomesh); and b. to distribute on a non-exclusive basis BNNTs to Customers, provided the Customers are only permitted to use BNNTs to develop, test or manufacture batteries that are not lithium-sulphur batteries. For clarity, Li-S Energy is not restricted from distributing Li-S Energy's Li-Nanomesh (or other nanomesh products), or BNNTs to Li-S Energy's customers who have a licence from Li-S Energy to manufacture Li-Nanomesh (or other nanomesh products).
Territory	Worldwide
Nature of Appointment	Distributor in the Territory for the Permitted Purpose during the Term. Exclusive distributor for the Permitted Purpose relating to the distribution in respect of lithium-sulphur batteries, for the first seven years of the agreement. Li-S Energy's exclusivity in respect of distributing Li-Nanomesh and BNNTs for manufacture of Li-Nanomesh is by virtue of Li-S Energy owning the IP required to manufacture Li-Nanomesh.
Other terms	The remainder of the agreement is on the usual commercial terms for a contract of this nature.

12.3 Research and development

(a) Intellectual Property Assignment Deed

Under a deed of assignment, Deakin has assigned to Li-S Energy with effect on and from 14 April 2021 all intellectual property rights in relation to intellectual patent application number PCT/AU2020/050986, publication number WO/2021/051164 entitled "Flexible Lithium-Sulfur Batteries" (sic).

The intellectual property assigned is essential to Li-S Energy's business and was previously licenced from Deakin to Li-S Energy. The consideration paid by Li-S Energy to Deakin for the assignment was $5,000.

(b) Deakin Research Framework Agreement

Li-S Energy and Deakin have entered into a research framework agreement which governs all research projects conducted between Li-S Energy and Deakin as set out in Project Schedules made under the agreement.

The key material terms of the research framework agreement are as follows:

Term	The contract commenced on 8 July 2021 and continues until terminated.
Termination	Either party may terminate the agreement and any Project Schedule immediately if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar.

Project Schedules	The parties may from time to time enter into Project Schedules made under the agreement for research projects proposed and negotiated by the parties. Such Project Schedules include terms around payment, steering committees, specified personnel of the parties and insurances required. As at the date of this Prospectus, Li-S Energy and Deakin are in negotiations to put in place Project Schedules for each Development Program component set out in Section 5.4.
Intellectual Property	Each party will retain ownership of their respective intellectual property developed prior to the date a Project commences or is acquired or developed independent of the agreement, but grants a non-transferrable licence to the other party to use such background intellectual property for the purposes of the relevant Project. Any new intellectual property created, developed or discovered in the conduct of a Project vests in Li-S Energy (**Project IP**). Deakin is granted a non-exclusive, perpetual, non-transferable, royalty free licence to use the Project IP for the purposes of the Project and for non-commercial research, teaching and scholarly pursuits. Deakin must also seek Li-S Energy's prior consent before it publishes any part of the Project IP as part of any publication.

12.4 Leases

(a) Leases

Li-S Energy has entered into leases for two production bays that are beside each other in Deakin's ManuFutures advanced manufacturing hub in Waurn Ponds, Victoria. Each lease consists of 157 square metres space, a 58 square metre office and monthly rent of $4,741 plus GST with a CPI increase at each anniversary date.

Lease 1 expires on 31 December 2023 and lease 2 expires on 30 June 2024 and there are no options for further terms.

(b) Interim Lease

Li-S Energy has an interim lease for its existing laboratory in Deakin's ManuFutures advanced manufacturing hub in Waurn Ponds, Victoria and Li-S Energy intends to terminate this lease on the relocation of the laboratory into the new lease premises in the coming months.

12.5 Employment and Consultancy Agreements

(a) Chief Executive Officer

Li-S Energy has entered into an employment contract with Dr Lee Finniear for his engagement as CEO which contains standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The key terms of the employment contract are as follows:

Total Remuneration Package	$300,000 annual salary (including superannuation). In addition to the base annual salary, Dr Lee Finniear has been granted, and has elected to be issued, 1,000,000 Service Rights vesting over a four year period in accordance with the Executive Rights Plan Rules as detailed in Section 8.5(a). Dr Lee Finniear is also eligible to participate in the Company's short term incentive plan for the 2022 Financial Year up to $100,000.
Term	The contract commenced on 1 July 2021 and continues until terminated.
Termination by CEO	6 months' notice.

12. Material Contracts

continued

Termination by Li-S Energy	6 months' notice or immediately due to serious misconduct or any reason entitling the Li-S Energy to summarily dismiss Dr Lee Finniear at common law.
Non-competition and non-solicitation	To protect the interests of Li-S Energy and its intellectual property, Dr Lee Finniear will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract, a. be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy in Australia; b. induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy; c. induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or d. procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation.

(b) Chief Technology Officer

Li-S Energy has entered into an employment contract with Dr Steve Rowlands for his engagement as CTO which contains standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. The key terms of the employment contract are as follows:

Total Remuneration Package	$176,000 annual salary (including superannuation). Dr Steve Rowlands is eligible to participate in the Company's short term incentive plan for the 2022 Financial Year up to $16,000, and the Company's Executive Rights Plan on terms to be confirmed as at the date of this Prospectus. The Company will also reimburse Dr Steve Rowlands for all reasonable relocation costs from the UK, including an annual economy return flight to the UK.
Term	The contract commenced on 1 July 2021 (with a three month probation period) and continues until terminated.
Termination by CEO	2 months' notice during the probation period. 6 months' notice.
Termination by Li-S Energy	2 months' notice during the probation period. 6 months' notice or immediately due to serious misconduct or any reason entitling the Li-S Energy to summarily dismiss Dr Steve Rowlands at common law.
Non-competition and non-solicitation	To protect the interests of Li-S Energy and its intellectual property, Dr Steve Rowlands will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract, a. be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy in Australia; b. induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy; c. induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or d. procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation.

(c) Chief Strategic Advisor

Glenn Molloy acts as the Chief Strategic Advisor of Li-S Energy in accordance with a consultancy agreement between Li-S Energy and Glenn Molloy's consultancy company, Corso Management Services Pty Ltd.

The key terms of the consultancy agreement are as follows:

Designated Person	While the contract is between Li-S Energy and Glenn Molloy's consultancy company, the agreement requires that the services to be provided by Glenn Molloy unless otherwise agreed in writing by Li-S Energy and for Glenn Molloy to remain an employee of the consultancy company.
Entitlements	A daily rate to be agreed between the parties. Mr Molloy is not paid any fees in respect of travel time to and from the locations where work is performed.
Term	The contract commenced on 12 June 2021 and is for a period of 24 months unless terminated earlier by Li-S Energy as permitted under the agreement.
Termination	Subject to annual renewal by written agreement, the contract terminates on 12 June 2023 or Li-S Energy can immediately terminate the agreement if Mr Molloy: a. commits any act involving fraud, deceit, dishonesty or other serious misconduct (whether in relation to Li-S Energy or otherwise); b. becomes bankrupt or commits any act of bankruptcy; c. is charged with any serious criminal offence; d. refuses or fails to comply with any lawful request made by Li-S Energy or any of its Directors; e. is unable to properly perform the essential elements of the Chief Commercial Actions Officer role whether as a result of illness, accident or otherwise; or f. is in breach of any obligations under the contract and fails to rectify the breach within 5 business days after being requested to do by Li-S Energy. Either party may terminate on 3 months' notice.
Non-competition and non-solicitation	To protect the interests of Li-S Energy and its intellectual property, Mr Molloy will not, directly or indirectly, in any capacity whatsoever, during the term and for 12 months after the termination of the contract, a. be engaged, concerned or interest in any other business or occupation that is or may be in competition with the business carried on by Li-S Energy; b. induce or encourage a client or customer of Li-S Energy to cease doing business with or reduce the amount of business it would otherwise do with Li-S Energy; c. induce or solicit any officer or employee of Li-S Energy to leave that office or employment; or d. procure or assist someone else to do or attempt to do anything contemplated by way of non-competition or non-solicitation. This restraint will not prevent Mr Molloy from performing his roles or holding his interest in PPK Group Limited entities or entities it holds an interest in.

12. Material Contracts

continued

12.6 PPK Management Agreement

Li-S Energy and PPK Aust have entered into a management services agreement pursuant to which PPK Aust will provide to Li-S Energy administrative support services.

The key material terms of the research framework agreement are as follows:

Term	The contract commenced on 1 May 2021 for an initial term of 3 years and can be renewed by PPK Aust for a further 3 year term upon notice being provided by PPK Aust not later than 3 months prior to the expiry of the initial term.
Termination	Either party may terminate the agreement on 30 days' notice if the other party commits a material breach that is unable to be rectified or where able to be rectified, fails to do so within a cure period, or the other party is insolvent or similar. PPK Aust may terminate the agreement on 30 days' notice if it is not satisfied with the Annual Plan of Li-S Energy. Li-S Energy may terminate the agreement at will on 6 months' notice.
Appointment	PPK Aust is appointed to provide management services to Li-S Energy which will see PPK Aust assist Li-S Energy with its administrative functions such as accounting, record keeping, reporting, assisting with insurance and recruitment. PPK Aust will also provide staff to act in key officer roles including the public officer, chief financial officer and company secretary. It is also appointed, to the extent permitted by law, facilitate/oversee the funding and capital raising requirements of the company (note this does not include acting as an advisor).
Fees	PPK Aust will be paid a fee for providing the management services which will be $150,000 for the initial three months. This fee, together with the scope and performance of the management services, will be subject to review between the parties every 3 months (this allows for resetting of the fee in the event that Li-S Energy experiences business changes that require PPK Aust to provide additional (or reduce) resources to effectively provide the services). PPK Aust will be paid a funding fee of up to 1% of any debt or capital raised that it facilitates. PPK Aust will be entitled to recover any disbursements or expenses it incurs on behalf of Li-S Energy or in providing the services.
Indemnity	Li-S Energy indemnifies PPK Aust for any loss that arises from the performance by PPK Aust of its obligations under the agreement.
Other terms	The remainder of the agreement is on the usual commercial terms for a contract of this nature.

Section 13

ADDITIONAL INFORMATION

13. Additional Information

13.1 Rights and liabilities attaching to Shares

New Shares issued pursuant to the Offer will have the same rights and liabilities as Li-S Energy's existing Shares on issue as at the date of this Prospectus, ranking equally. The full details of the rights attaching to Shares are set out in the Constitution, a copy of which may be inspected at Li-S Energy's registered office or on Li-S Energy's website (www.lis.energy). A summary of the rights and liabilities attaching to the New Shares is set out below:

(a) Voting rights

At a general meeting every Shareholder present in person by proxy, attorney or representative has one vote on a show of hands and every Shareholder present in person or by proxy, attorney or representative has one vote for each Share on a poll.

The Constitution enables the Board to determine that Shareholders who are entitled to vote at a meeting may do so by way of direct vote and to make regulations, rules and procedures regarding such direct votes.

(b) Dividends

Dividends are declared by the Directors at their discretion and are paid to Shareholders according to the Constitution of Li-S Energy and their Share's rights and interest in the profits at the time of entitlement to the dividend.

(c) Transfer of Shares

Generally, the Directors will not refuse to register a transfer unless the ASX Settlement Operating Rules or the ASX Listing Rules permit it to do so, the transfer would result in more than three persons being registered as joint holders or Li-S Energy has a lien on the Shares.

(d) Future increases in capital

The issue of any Shares of Li-S Energy is under the control of the Directors who may, subject to the Corporations Act and the ASX Listing Rules, issue them on such conditions as they see fit.

(e) Variation of rights

The rights and privileges attaching to Shares can be altered by a special resolution of Shareholders or the written consent of 75% of Shareholders. A special resolution is a resolution passed by a majority of not less than 75% of those present and entitled to vote.

(f) Rights on winding up

In the event of a winding up of Li-S Energy:

1. any surplus will be, subject to any applicable laws, divided among the Shareholders in the proportion that the amount paid up on the Shares bears to the total amount paid up on all Shares of Li-S Energy on issue; and
2. surplus assets in kind may, with the sanction of a special resolution, be divided among Shareholders in such proportion as the liquidator may determine.

(g) Directors' remuneration

The Constitution provides that Li-S Energy may remunerate each Director as the Directors decide, but the total amount of the remuneration of Non-Executive Directors may not exceed the amount fixed by Li-S Energy in general meeting for that purpose. The Board has proposed that this amount be initially $800,000 per annum. This amount may be reviewed and adjusted at future general meetings.

(h) Shareholder liability

As the New Shares issued will be fully paid Shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(i) Proportional takeover provisions

The Constitution contains provisions requiring member approval in relation to any proportional takeover bid, being an off-market takeover bid for a specified proportion of securities in the bid class.

The provisions must be renewed by a special resolution of members entitled to vote, three years from the date the provisions were adopted or last renewed, otherwise the provisions will lapse.

(j) Marketable Parcels

The Constitution includes provisions which entitle Li-S Energy to require that a Shareholder who holds less than a "marketable parcel" (as defined in the ASX Listing Rules) to increase its shareholding to a marketable parcel or notify Li-S Energy that it wishes to retain its Shares, failing which Li-S Energy and each of its Directors will be authorised to sell the Shareholders' Shares.

(k) Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. A special resolution is a resolution passed by a majority of not less than 75% of those present and entitled to vote.

13.2 ASX Restricted Securities

Li-S Energy will enter mandatory restriction agreements with certain Shareholders (being entities affiliated with Li-S Energy's Directors, promoters of Li-S Energy and certain seed capitalists) or provide restriction notices as required by ASX. Together, the restricted securities are expected to be in respect of approximately 81.48% of all of the Shares currently on issue, which is approximately 76.39% of the Shares on issue on Completion of the Offer.

Subject to certain exceptions set out below, those agreements prohibit those Shareholders disposing of the following Shares for the periods specified below:

	Number of Shares	% of all Shares on Completion of Offer	Restriction Period
PPK Aust	290,849,069	45.43%	24 months from the date Li-S Energy's Shares are Quoted
Deakin	83,333,333	13.02%	
BNNTTL	30,000,000	4.69%	
PPK Group Limited in-specie Dividend Related Parties and Promoters	7,402,204	1.16%	
Other Related Parties and Promoters[1]	61,666,667	9.63%	
April 2021 capital raise	15,770,588	2.46%	12 months from the date of issue.
Total	**489,021,861**	**76.39%**	**As per above**

1 Includes transferees of restricted securities and participants in the April 2021 capital raise.

The restrictions on disposal are subject to certain usual exceptions, including that they will not apply where there is a takeover bid for Li-S Energy's Shares in respect of which more than 50% of the Shares that are not subject to restriction agreements (which becomes unconditional or for which there are no conditions) or if a scheme of arrangement for Li-S Energy's Shares is approved by the Court.

These restrictions do not, however, affect any rights of the holder of Shares or their rights to receive or participate in any dividends, rights issue(s), bonus issue, return of capital or other distributions in connection with the relevant Shares.

13. Additional Information

continued

13.3 Litigation

As far as the Directors are aware, neither Li-S Energy nor a related entity is a party to any legal proceedings that the Directors believe is likely to have a material adverse effect on the business or financial position of Li-S Energy.

13.4 ASX Waivers

The Company has received confirmation from ASX of a conditional waiver from the requirements of ASX Listing Rule 9.1, such that the mandatory restriction provisions will not apply to the Shares that were distributed in specie by PPK Group Limited on 23 December 2020 to Shareholders who are neither related parties nor promotors of Li-S Energy or PPK Group Limited (nor associates of any such persons).

ASX has also confirmed that the Shares distributed to related parties and promotors of the Company or PPK Group Limited (and associates of any such persons) will still be subject to the mandatory restrictions.

13.5 Holding Statements

Holding statements for New Shares issued pursuant to the Offer will be mailed to Applicants in accordance with ASX Listing Rules and timetable set out in this Prospectus.

13.6 Dividend policy

The Directors currently intend to use surplus cash to finance Li-S Energy's Project portfolio and any resultant development, production and generation of new opportunities, and do not expect to declare or pay dividends in the foreseeable future.

13.7 Taxation

The acquisition and disposal of New Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in Li-S Energy are urged to obtain independent financial advice about the consequences of acquiring New Shares from a taxation viewpoint and generally.

Changes to the rate of taxes imposed on Li-S Energy (including in overseas jurisdictions which Li-S Energy operates in the future) or tax legislation generally may affect Li-S Energy and its Shareholders. In addition, an interpretation of Australian tax laws by the Australian Taxation Office that differs to Li-S Energy's interpretation may lead to an increase in Li-S Energy's tax liabilities and a reduction in Shareholder returns.

To the maximum extent permitted by law, Li-S Energy, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for New Shares.

13.8 Director interests

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the two years preceding lodgement of this Prospectus with ASIC, any interest in:

a. the formation or promotion of Li-S Energy; or

b. any property acquired or proposed to be acquired by Li-S Energy in connection with:

    1. its formation or promotion; or

    2. the Offer; or

c. the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

d. as an inducement to become, or to qualify as, a Director; or

e. for services provided in connection with:
   1. the formation or promotion of Li-S Energy; or
   2. the Offer.

Details of the remuneration paid and payable to each Director of Li-S Energy and each Directors interests in Li-S Energy are set out in Section 8.3.

Directors (and their associates) may participate in the Offer.

13.9 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

a. person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;

b. promoter of Li-S Energy; or

c. underwriter to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with ASIC, any interest in:

d. the formation or promotion of Li-S Energy;

e. any property acquired or proposed to be acquired by Li-S Energy in connection with:
   1. its formation or promotion; or
   2. the Offer; or

f. the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services provided in connection with:

g. the formation or promotion of Li-S Energy; or

h. the Offer.

Mills Oakley has acted as Australian legal advisers to Li-S Energy in relation to the Offer. In doing so, Mills Oakley has placed reasonable reliance upon the information provided to it by Li-S Energy. Li-S Energy has agreed to pay Mills Oakley $250,000 (excluding GST and disbursements) up to the date of this Prospectus in relation to services performed in relation to the Offer. In the two years prior to the date of this Prospectus, Mills Oakley has received or expects to receive from Li-S Energy approximately $11,000 (excluding GST and disbursements), and may receive further, additional amounts, for other professional services performed for Li-S Energy in accordance with its usual practise. Mills Oakley has made no statement included in this Prospectus or on which a statement in this Prospectus is based.

Ernst & Young (EY) has provided financial due diligence and acted as Investigating Accountant and has prepared the Independent Limited Assurance Report which is included in Section 10 of this Prospectus. Li-S Energy has agreed to pay EY a total of $70,000 (excluding GST and disbursements) for these services. In doing so, EY has placed reasonable reliance upon the information provided to it by Li-S Energy.

TMPR Consulting has acted as External Industry Consultant and has prepared the Research Validation Report which is included in Section 7 of this Prospectus. Li-S Energy has agreed to pay TMPR Consulting a total of $9,000 (excluding GST and disbursements) for these services. In doing so, TMPR Consulting has placed reasonable reliance upon the information provided to it by Li-S Energy.

Phillips Ormonde Fitzpatrick has acted as Patent Attorneys for the Company and has prepared the Intellectual Property Report which is included in Section 7 of this Prospectus. Li-S Energy has agreed to pay Phillips Ormonde Fitzpatrick $3,500 (excluding GST and disbursements) for these services. In doing so, Phillips Ormonde Fitzpatrick has placed reasonable reliance upon the information provided to it by Li-S Energy.

13. Additional Information

continued

Blue Ocean Equities is the Lead Manager of the Offer. Li-S Energy has agreed to pay to Blue Ocean Equities:

i. a management fee of 2.0% (plus GST) on the proceeds raised on the successful Applications accepted pursuant to the Offer; and

j. a selling fee of 3.0% (plus GST) on the proceeds raised on the successful Applications accepted pursuant to the Offer.

Li-S Energy will also pay or reimburse Blue Ocean Equities for its out-of-pocket expenses (including legal fees) incurred in connection with this Prospectus and the Offer.

Blue Ocean Equities has placed reasonable reliance upon the information provided to them by Li-S Energy and has made no statement included in this Prospectus, or on which a statement in this Prospectus is based. Blue Ocean Equities has also previously received an aggregate amount of approximately $1,000,000 (excluding GST and disbursements) in relation to services provided to Li-S Energy in respect of capital raisings previously undertaken by it.

Automic Share Registry has acted as share registrar and given, and not withdrawn, its written consent to be named in the form and context in which it is named.

13.10 Consents

Each of the persons referred to in this Section:

a. does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and

b. to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Blue Ocean Equities has given its written consent to being named as Lead Manager of the Offer in this Prospectus. The Lead Manager has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

EY has given its written consent to being named as Auditor of the Company and Investigating Accountant in relation to the Offer and to the inclusion in this Prospectus of its Independent Limited Assurance Report in the form and context in which it is included. EY has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

TMPR Consulting Pty Ltd has given its written consent to being named in this Prospectus as External Industry Consultant, and to the inclusion of the Research Validation Report and statements said to be based on statements contained in the Research Validation Report or statements contained in the Research Validation Report in this Prospectus, in the form and context in which they appear. TMPR Consulting Pty Ltd has not withdrawn that consent prior to the lodgement of this Prospectus with ASIC.

Phillips Ormonde Fitzpatrick has given its written consent to being named in this Prospectus as the Patent Attorneys for Li-S Energy and to the inclusion of the Intellectual Property Report on the Patents held by Li-S Energy and statements said to be based on statements contained in the Intellectual Property Report in the form and context in which they appear. Phillips Ormonde Fitzpatrick has not withdrawn that consent prior to the lodgement of this Prospectus with ASIC.

Mills Oakley has given its written consent to being named as legal advisers to Li-S Energy in this Prospectus. Mills Oakley has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Automic Pty Ltd has given its written consent to being named as Li-S Energy's Share Registrar in this Prospectus. Automic Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

BNNTTL has given its written consent to being named in this Prospectus. BNNTTL has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

PPK Aust. has given its written consent to being named in this Prospectus. PPK Aust. has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

PPK Group Limited has given its written consent to being named in this Prospectus. PPK Group Limited has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Prospectus may include or be accompanied by certain statements:

a. fairly representing a statement by an official person; or

b. from a public official document or a published book, journal or comparable publication.

The makers of those statements are not required to consent to, and have not consented to, the inclusion of such statements (if any) in this Prospectus.

The Company relies on ASIC Corporations (Consents to Statements) Instrument 2016/72 for all statements attributed to Deakin.

13.11 Enquiries

If you have any questions regarding the Offer, please contact the Share Registrar on 1300 288 664 (from within Australia) +61 2 9698 5414 (from outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday.

Section 14

THE OFFER

14. The Offer

14.1 Offer Detail

The Prospectus relates to an Offer of 40,000,000 New Shares at an issue price of $0.85. per New Share to raise $34,000,000 (before costs), which comprises:

a. the Priority Offer, which is open to Eligible Shareholders;

b. the General Offer, which is open to persons located in Australia;

c. the Broker Firm Offer, which is open to persons located in Australia that are retail clients of Brokers who are located in Australia and have received a firm allocation from their Broker; and

d. the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, Hong Kong and New Zealand.

All of the New Shares issued in accordance with this Prospectus will rank equally with the existing Shares on issue as at the date of this Prospectus. Further detail regarding the rights and liabilities attaching to Li-S Energy Shares is contained in Section 13.1 of this Prospectus.

Up to 8,000,000 New Shares will be available to Eligible Shareholders under the Priority Offer, in which will be allocated at the Company's discretion in accordance with the allocation policy set out in Section 14.13.

Applications for New Shares under the Priority Offer must be made using the Priority Offer Application Form. Eligible Shareholders are encouraged to submit their Priority Offer Application Forms as soon as possible and in any event prior to the Closing Date.

Eligible Shareholders intending to participate in the Priority Offer will need to submit the Priority Offer Application Form prior to the Closing Date.

The General Offer will be for any New Shares that are not subscribed for or issued to Eligible Shareholders by the Closing Date. If no New Shares are subscribed for and issued under the Priority Offer by the Closing Date, then 40,000,000 New Shares will be available under the Public Offer.

14.2 Offer Period

The Offer is expected to open on 2 August 2021, from which date Li-S Energy may accept Applications for New Shares, and is expected to close on 18 August 2021.

Li-S Energy is prohibited from processing Applications received during the Exposure Period. Application Forms received prior to the expiration of the Exposure Period will, therefore, not be processed until after the Exposure Period. No preference will be conferred on any Application Forms received during the Exposure Period and all Application Forms received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

14.3 Purpose of the Offer

The purpose of the Offer is to raise funds to advance Li-S Energy's commercial scale-up of the new technology and continued research and development as further detailed in the budgets and programs set out in Sections 5.3, 5.4 and 5.11. Proceeds raised from the Offer, are expected to be used as disclosed in Section 5.11.

The table set out in Section 5.11 is a statement of current intentions as at the date of this Prospectus. However, as with any budget, intervening events, including as a result of the outcome of Li-S Energy's research and development activities, studies undertaken, regulatory developments or additional unforeseen expenses, have the potential to affect the quantum of expense categories and/or the manner in which the funds are ultimately applied, which the Board reserves the right to do.

Accordingly, you should refer to the risks in Section 11 of this Prospectus for further information.

The Directors consider that, on Completion of the Offer, Li-S Energy has enough working capital to carry out its stated objectives and confirms that it is not aware of any legal, regulatory, or contractual impediments to Li-S Energy carrying out activities as contemplated by this Prospectus.

14. The Offer

continued

14.4 Capital structure

The effect of the Offer on Li-S Energy's capital structure is set out below (assuming no existing Shareholders participate in the Offer):

Description	Shares	% Pre Offer[2]	% Post Offer Completion[2]
Board[1]	3,871,029	0.65%	0.60%
PPK Aust	290,849,069	48.46%	45.43%
Deakin	83,333,333	13.88%	13.02%
BNNTTL	30,000,000	5.00%	4.69%
Other existing Shareholders	192,146,799	32.01%	30.01%
New Shareholders under Offer	40,000,000	0%	6.25%
Total	**640,200,230**	**100%**	**100%**

1 These Shares may be held by associated entities of the Directors.

2 Does not include unvested Service Rights (see Section 8.4).

14.5 Substantial holders

As at the date of this Prospectus, the following persons have a relevant interest in 5% or more of Li-S Energy's Shares:

Holder of Relevant Interest	Shares	%
PPK Aust	290,849,069	48.46%
Deakin	83,333,333	13.88%
BNNTTL	30,000,000	5.00%

Following Completion of the Offer, the above-mentioned persons will have the following relevant interest (assuming they do not participate in the Offer):

Holder of Relevant Interest	Shares	%[1]
PPK Aust	290,849,069	45.43
Deakin	83,333,333	13.02

1 Does not include unvested Service Rights (see Section 8.4).

Depending on the level of participation in the Offer, there may be New Shareholders who, following Completion of the Offer, have a relevant interest in 5% or more of Li-S Energy's Shares.

14.6 Broker Firm Offer

If you have received a 'firm' allocation of Shares from a Broker:

a. your Application Money must be made payable to the Broker; and

b. your completed Offer Application Form and Application Money must be delivered to the Broker directly (not to the Lead Manager, Li-S Energy or Li-S Energy's Share Registrar).

Applicants who receive a firm allocation of Shares must lodge their Application Form and Application Money with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Your Broker will act as your agent in submitting your Application to the Lead Manager. Li-S Energy, the Share Registrar and the Lead Manager take no responsibility for any acts or omissions by your Broker in connection with your Application, Application Form or Application Money.

If you have any questions regarding the Offer, please contact the Share Registrar on 1300 288 664 (from within Australia) +61 2 9698 5414 (from outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday. If you have a firm allocation of Shares and you have any questions or you are unsure of what to do, you should contact the Broker who has made you the firm offer.

14.7 Priority Offer and General Offer

The Priority Offer is open to Eligible Shareholders.

To participate in the Priority Offer, Eligible Shareholders need to complete the Priority Offer Application Form that is included in or accompanies this Prospectus in accordance with the instructions in that Application Form.

The General Offer is open to persons located in Australia.

To participate in the General Offer, Applicants need to complete the Offer Application Form that is included in or accompanies this Prospectus in accordance with the instructions in that Application Form.

Applicants under the Priority Offer and General Offer may complete the online Application Form available on the website (www.lis.energy) and pay using BPAY®. Applicants must follow the additional payment instructions on the Application Form and the website.

Payments must be made in Australian dollars for an amount equal to the number of Shares for which the Applicant wishes to apply, multiplied by the Offer Price of those Shares (i.e. $0.85 per Share). **It is your responsibility to ensure that completed Application Forms and your BPAY® payment is received by the Share Registrar by no later than 5.00pm (AEST) on the Closing Date. You should be aware that your financial institution may implement cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.**

Alternatively, Applications will need to be accompanied by the Application Monies in Australian Dollars by cheque, made payable to "Li-S Energy Limited", in accordance with the instructions in the Application Form, so that it is at the following address by 5:00pm (AEST) on the Closing Date:

Mailing Address:
Li-S Energy Limited
C/- Automic Share Registry
GPO Box 5193, Sydney NSW 2001

Hand Delivery:
Li-S Energy Limited
C/- Automic Share Registry
Level 5, 126 Phillip Street Sydney NSW 2000
(do not use this address for mailing purposes)

Where payment is made via cheque, payment of Application Money will be deemed to have been made when the cheque is honoured by the bank on which it is drawn. Accordingly, Applicants should ensure that they have sufficient funds in the relevant account(s) to satisfy the amount of the Application Money. If the amount of your cheque(s) is insufficient to satisfy the Application Monies (or the amount for which those cheque(s) clear in time for the allocation of New Shares, you may be taken to have applied for (and to have specified in your Application Form) such lower number of New Shares as your Application Money will pay for.

14. The Offer

continued

14.8 Institutional Offer

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia, Hong Kong and New Zealand to apply for New Shares in accordance with the terms of this Prospectus. Application procedures for Institutional Investors have been, or will be, advised to the Institutional Investors by the Lead Manager.

14.9 Offer Management Agreement

Li-S Energy and the Lead Manager are party to a mandate letter of engagement agreement for offer management services as detailed in Section 12.1.

14.10 Selling restrictions

The Offer of New Shares pursuant to this Prospectus does not, and is not intended to, constitute an offer or invitation in any place or jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or to issue this Prospectus.

Specifically, no action has been taken to register or qualify this Prospectus, the New Shares or the Offer, or otherwise permit a public offering of the New Shares, in any jurisdiction outside Australia, and the Institutional Offer is only being extended to certain Institutional Investors in Australia, Hong Kong and New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

New Zealand

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (**FMC Act**). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

a. is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;

b. meets at least one of the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;

c. is large within the meaning of clause 39 of Schedule 1 of the FMC Act;

d. is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or

e. is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Hong Kong

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Law of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purposes of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

14.11 Expenses of the Offer

The total proceeds expenses of the Offer (including fees paid to date) are estimated to be approximately $3,581,968 (including the effect of GST), which are expected to be applied towards the items set out in the table below:

Expense	Amount ($)
Lead Managers' fees	$1,742,500
Consulting fees, including to related parties[1]	$990,000
ASX listing fees	$373,330
Legal fees	$264,000
Tax and other accounting fees	$56,375
External Industry Consultant's fees	$8,800
Patent Attorney's fees	$30,308
Investigating Accountant's fees	$77,000
Other costs, including printing, website amendments, registry costs	$39,655
Total	**$3,581,968**

1 The consulting fees were for work undertaken in relation to the Offer over and above the respective party's normal responsibilities and were paid to:

- Glenn Molloy, Chief Strategic Advisor $440,000
- Tony McDonald, Non-Executive Director $220,000
- Robin Levison, Non-Executive Director $110,000
- Ken Hostland, CFO of PPK Group Limited $110,000
- Mark Winfield, CEO and Director of BNNT Technology Limited $ 55,000
- Gary Walsh, GM of BNNT Technology Limited $ 55,000

Services provided by each individual included working extended hours in connection with the preparation of and involvement in the IPO processes and the pre-IPO capital raise, including performing market research, attending additional meetings, prospectus drafting and other related activities which fall outside their normal roles and duties.

14.12 Application forms

By completing and lodging an Application Form received with this Prospectus, Applicants shall be deemed to have represented and warranted that they have personally received a complete and unaltered copy of this Prospectus prior to completing the Application Form. Li-S Energy will not accept a completed Application Form if it has reason to believe an Applicant has not received a complete copy of the Prospectus or Li-S Energy has reason to believe that the Application Form has been altered or tampered with in any way.

An Application Form is an irrevocable offer to subscribe for New Shares in accordance with the terms of this Prospectus.

If an Application Form is not completed correctly, or if the requisite Application Money is for the wrong amount, Li-S Energy may, at its discretion, treat it as being a valid Application. By completing and lodging an Application Form with Li-S Energy, the Lead Managers or your Broker, you, irrevocably, agree:

a. that the Directors' decision whether to treat the Application as valid and how to construe, amend or complete the Application Form is final and binding, subject to an Applicant not being treated as having applied for more New Shares than is indicated by the sum of the cheque or BPAY® payment for the Application Money;

b. that you are, and shall be deemed to have, represented and warrant that, you have read and understood the Prospectus to which this Application Form relates and declare that this Application is completed and lodged according to the Prospectus; and

c. to the terms and conditions of the Offer contained in this Prospectus and that you are, and shall be deemed to have, represented that you have not relied on any other information provided by Li-S Energy other as set out in this Prospectus when making your decision to invest.

14. The Offer

continued

14.13 Allocation and allotment

The allocation of New Shares will be determined by Li-S Energy.

The allocation of Shares between:

a. the Institutional Offer, the Broker Firm Offer, the Priority Offer and the General Offer;

b. Brokers; and

c. participants within each of the Institutional Offer, Broker Firm Offer and the General Offer,

will be determined by Li-S Energy in consultation with the Lead Manager, having regard to the following factors:

d. Li-S Energy's preference for having a stable share register;

e. desire for a liquid trading market for the Shares;

f. overall level of demand for Shares under the Offer; and

g. any other factors that Li-S Energy and the Lead Managers consider appropriate.

New Shares issued pursuant to the Offer will be allotted in accordance with ASX Listing Rules and the timetable set out in this Prospectus.

Where the number of New Shares issued to an Applicant is less than the number applied for, or where no allotment is made, any surplus Application Money received by Li-S Energy or the Lead Manager will be refunded to the Applicant in full as soon as practicable after the Closing Date. If the Company's application for admission to ASX is denied, or for any reason this Offer does not proceed, all Application Money will be refunded in full without interest. No interest will be paid on any Application Money refunded to Applicants.

Pending the allotment and issue of New Shares or the payment of refunds pursuant to this Prospectus, all Application Money received by Li-S Energy will be held on trust for Applicants in a separate bank account as required by the Corporations Act. Li-S Energy, will, however, be entitled to retain all interest that accrues on any money held in the bank account and each Applicant waives the right to claim interest.

Li-S Energy will ensure that, at the time of allocation of the New Shares, its Free Float (as that term is defined in the ASX Listing Rules) will be not less than 20%.

14.14 Li-S Energy discretion

Li-S Energy reserves the right:

a. to allocate the Shares at its discretion;

b. not to proceed with the Offer or any part of it at any time before the allocation of New Shares; and

c. to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or reject any Application or to allocate to any Applicant fewer New Shares than applied or bid for.

If the Offer does not proceed, the Application Money will be refunded. No interest will be paid on any Application Money refunded as a result of the withdrawal of the Offer.

14.15 ASX listing

An application will be made to ASX for admission to the ASX's official list and Quotation of the New Shares offered pursuant to this Prospectus within 7 days of the date of this Prospectus. If ASX does not grant Quotation of the New Shares offered pursuant to this Prospectus before the expiration of three months after the date of this Prospectus (or such period as varied by ASIC), Li-S Energy will not issue any New Shares and will repay all Application Money for the Shares within the time prescribed under the Corporations Act, without interest.

The ASX and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The fact that ASX may include Li-S Energy in the ASX's official list or grant Quotation of the New Shares offered pursuant to this Prospectus is not to be taken in any way as an indication of the merits of Li-S Energy or the New Shares offered pursuant to this Prospectus.

14.16 Brokerage, Commission and Stamp Duty

No brokerage, commission or stamp duty is payable by Applicants upon acquisition of New Shares under the Offer. However, various fees are payable to Brokers including the Lead Manager in relation to the Offer, further details of which are set out in Section 12.1.

14.17 Clearing House Electronic Sub Register System (CHESS) and Issuer Sponsorship

Li-S Energy will not be issuing share certificates. Li-S Energy is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by Li-S Energy. Because the sub registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that Li-S Energy will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares allotted to them in accordance with the Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in Li-S Energy during the preceding month.

14.18 Further Enquiries

If you have any questions regarding the Offer, please contact the Share Registrar on 1300 288 664 (from within Australia) +61 2 9698 5414 (from outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday. If after reading this Prospectus you have any questions about the New Shares being offered in accordance with this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

14.19 Other Material Information

To the best of the Directors' knowledge and belief, this Prospectus contains all information that investors and their professional advisers would reasonably require to make an informed assessment of the rights and liabilities attaching to the New Shares offered pursuant to this Prospectus and the assets, liabilities, financial position, performance and prospects of Li-S Energy.

14.20 Authorisation

This Prospectus is issued by Li-S Energy. The lodgement of this Prospectus with ASIC was consented to by every Director of Li-S Energy.

Ben Spincer
Chairman
Li-S Energy Limited

Section 15

GLOSSARY

15. Glossary

$	means the lawful currency of the Commonwealth of Australia.
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
AEST	means Australian Eastern Standard Time.
Applicant	means an Eligible Investor who applies for Shares pursuant to the Offer.
Application	means an application for Shares under the Offer described in this Prospectus.
Application Form	means an application in the form accompanying this Prospectus pursuant to which Eligible Investors may apply for New Shares in accordance with the Offer, being the Offer Application Form and Priority Offer Application Form.
Application Money	means the aggregate amount of money payable by an Applicant for New Shares applied for pursuant to the Offer.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited ACN 008 624 691 or the financial market operated by it (as the context requires).
ASX Listing Rules	means the listing rules of the ASX.
Blue Ocean	means Blue Ocean Equities Pty Ltd.
BNNT or BNNTs	means boron nitride nanotubes.
BNNTTL	means BNNT Technology Limited.
Board	means the board of Directors of Li-S Energy unless the context indicates otherwise.
Broker	any ASX participating organisation invited to participate in the Broker Firm Offer.
Broker Firm Offer	means the invitation to apply for New Shares made pursuant to this Prospectus to clients of Brokers who have received an invitation to participate from their Broker.
CHESS	means the ASX's clearing house electronic sub register system.
Closing Date	means the date specified in the timetable set out at the commencement of this Prospectus (unless extended) as being the date that the Offer closes.
Completion	means the completion of the issue of New Shares under the Offer.
Constitution	means the constitution of Li-S Energy Limited ACN 634 839 857 as at the date of this Prospectus.
Corporations Act	means the *Corporations Act 2001* (Cth).
Deakin	means Deakin University.
Development Program	means the Li-S Energy Research and Development Program, details of which are set out in Sections 5.3 and 5.4.
Directors	means the directors of Li-S Energy as at the date of this Prospectus.
Eligible Investor	means a person: a. who is an Eligible Shareholder who participates in the Priority Offer; b. who is located in Australia who participates in the General Offer; c. who receives an offer from their Broker to participate in the Broker Firm Offer; or d. to whom the Institutional Offer is extended.
Eligible Shareholder	means existing Shareholders as at the date of this Prospectus, but excluding PPK Aust, BNNTTL and Deakin.
Executive Rights Plan	means the Li-S Energy Limited Executive Rights Plan that is governed by the Executive Rights Plan Rules.
Executive Rights Plan Rules	means the Li-S Energy Limited Executive Rights Plan Rules adopted by the Board on 7 July 2021.

15. Glossary

continued

EV	means electric vehicle.
Exposure Period	means the period commencing on the date that the original prospectus dated 21 July 2021 was lodged with ASIC and ending seven days later or the date to which ASIC extends such period.
Financial Information	means the Historical Financial Information and Pro Forma Historical Financial Information.
Financial Year or FY	means the financial year ending 30 June.
g/mol	means gram-mole or gram molecule.
General Offer	means the invitation to persons located in Australia to apply for New Shares pursuant to this Prospectus, other than pursuant to the Broker Firm Offer and Institutional Offer.
GST	has the meaning given to that term in the *A New Tax System (Goods & Service Tax) Act 1999* (Cth).
GWh/year	means gigawatt-hour per year.
Historical Financial Information	means the Historical Statements of Profit or Loss, Historical Statement of Financial Position and Historical Statements of Cash Flows.
Historical Statements of Cash Flows	has the meaning given to it in Section 9.1.
Historical Statements of Profit or Loss	has the meaning given to it in Section 9.1.
Historical Statement of Financial Position	has the meaning given to it in Section 9.1.
	means institutional or professional investors to whom Li-S Energy agrees to extend the Institutional Offer.
Institutional Offer	the offer of New Shares to Institutional Investors described in Section 14.8.
Intellectual Property Report	means the report set out in Section 7.
Investigating Accountant	means Ernst & Young (EY).
Independent Limited Assurance Report	means the Independent Limited Assurance Report from the Investigating Accountant contained in Section 10.
IPO	means the initial public offering of Li-S Energy on the terms of the Offer.
Lead Manager	means Blue Ocean Equities.
Li-Nanomesh	means Li-S Energy's novel nanomaterial referred to as Li-Nanomesh.
Li-S Energy or Company	means Li-S Energy Limited ACN 634 839 857.
Li-S Energy Battery	means the lithium-sulphur battery that incorporates BNNTs being tested and developed by Li-S Energy as further described in Sections 4 and 5.
mAh/g	means milliampere-hour per gram.
MWh	means megawatt-hour.
NED	means Non-Executive Director.
NED Equity Plan	means the Li-S Energy Limited NED Equity Plan that is governed by the NED Equity Plan Rules.
NED Equity Plan Rules	means the Li-S Energy Limited NED Equity Plan Rules adopted by the Board on 7 July 2021.
New Share	means any new Shares to be issued pursuant to the Offer.
New Shareholders	means a person who becomes a Shareholder through the acquisition of New Shares pursuant to the Offer.

OEMs	means Original Equipment Manufacturers.
Offer	means the offer to acquire New Shares by way of the: a. Priority Offer; b. General Offer; c. Broker Firm Offer; and d. Institutional Offer, contained in this Prospectus.
Offer Application Form	means the Offer Application Form attached to this Prospectus.
Offer Management Agreement	means the letter of engagement agreement for offer management services between the Company and the Lead Manager dated 9 July 2021.
Offer Period	means the period between the Opening Date and the Closing Date.
Offer Price	means an amount of $0.85 per New Share.
Opening Date	means the date specified in the timetable set out at the commencement of this Prospectus (unless the Exposure Period extended) as being the date that the Offer opens.
pouch cell	is a type of battery cell that does not have a rigid enclosure and uses a sealed flexible foil as the cell container, enabling a lighter and flexible battery design. Pouch cells have applications in portable devices that require high load currents such as small electronic devices, mobile phones, laptops and drones.
PPK Aust	means PPK Aust. Pty Limited ACN 003 045 467.
Principles and Recommendations	means the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition).
Priority Offer	means the offer of New Shares to Eligible Shareholders described in Section 14.
Priority Offer Application Form	means the Priority Offer Application Form attached to this Prospectus.
Pro Forma Adjustments	has the meaning given to it in Sections 9.3 and 9.7.
Pro Forma Historical Financial Information	has the meaning given to it in Section 9.1.
Prospectus	means this replacement prospectus dated 29 July 2021, as supplemented or amended from time to time in accordance with the Corporations Act.
Quotation	means official quotation of the Shares on ASX and the term **Quoted** has a corresponding meaning.
Research Validation Report	means the report set out in Section 6.
Senior Management	means the Senior Management of Li-S Energy as identified in Section 8.2.
Service Rights	means the entitlement to Shares subject to service-related vesting conditions granted under the NED Equity Plan or Executive Rights Plan (as applicable).
Share	means an ordinary fully paid share in the capital of Li-S Energy.
Shareholder	means the holder of a Share.
TMPR Consulting	TMPR Consulting Pty Ltd ACN 642 808 759.
Wh	means watt-hour.
Wh/kg	means watt-hours per kilogram.

Section 16

CORPORATE DIRECTORY

16. Corporate Directory

Directors

Dr Ben Spincer
Mr Robin Levison
Mr Tony McDonald
Ms Hedy Cray

Company Secretaries

Mr Ken Hostland
Mr Andrew Cooke

Registered Office

Li-S Energy Limited

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www.lis.energy

Share Registrar

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